SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2010 Report
Volume 2

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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SASKATCHEWAN

November 19, 2010

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2010 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Brian Atkinson, FCA
Acting Provincial Auditor

/cp

Our 2010 Reports

In 2010, our Office issued four other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  www.auditor.sk.ca
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:
  Provincial Auditor Saskatchewan
  1500 Chateau Tower
  1920 Broad Street
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2009 Financial Statements of CIC Crown Corporations and Related Entities: April 2010*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2009 Calendar Year: May 2010*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2010 Report – Volume 1 (June 2010)*
- *Annual Report on Operations For the Year Ended March 31, 2010 (June 2010)*

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Introduction

1

Who we are and what we do

The Provincial Auditor is an independent officer of the Legislative Assembly. The Provincial Auditor reports to the Legislative Assembly on how the Government manages the resources entrusted to it.

The Government delivers its services through about 290 government agencies. These include ministries, Crown corporations, authorities, boards, commissions, and special purpose funds. By reporting the results of our independent audits of all government agencies along with recommendations that focus on improving how these agencies manage public resources, our Office contributes to better government management. For more information about our Office, see http://www.auditor.sk.ca/paweb/aboutouroffice.html.

This report

This volume of our 2010 report covers 131 government agencies, most with March 31 year-ends. Volume 1 of our 2010 report focused on agencies with December 31 year-ends.

The work done by our Office shows that, for the most part, government agencies have adequate controls to manage risks to public resources. This is a significant achievement. Some agencies have fixed or are making progress in fixing previously reported problems. Unfortunately, control problems continue to exist at some agencies and new problems are identified at other agencies. Inadequate controls place public resources at risk. We encourage the Government to address them as quickly as possible.

As discussed in chapters 5 – Education and 21 – Tourism, Parks, Culture and Sport, our Office has been denied access to audit certain accounts related to public money. Because we have been denied access, we are unable to report to the Legislative Assembly on whether the related public money was appropriately safeguarded and that there were no instances of fraud or misuse of public money.

Appointing a new Provincial Auditor

As this volume is being finalized, the Legislative Assembly has undertaken its search for a new Provincial Auditor. Mr. G. Fred Wendel, CMA, CA retired in April 2010 after leading the Office for 10 years.

The appointment process for the Provincial Auditor underscores the independence of the Office. By law, the Legislative Assembly appoints the Provincial Auditor on the unanimous recommendation of the Standing Committee on Public Accounts (PAC), an all-party committee that does not include cabinet ministers. The appointment is for a 10-year term.

Acknowledgments

I wish to acknowledge the work of PAC. The Legislative Assembly refers the reports of our Office to PAC. Through its review of our reports, questions of government officials, and recommendations to the Assembly, PAC provides a vital link in the chain of accountability over public resources. Chapter 24 describes PAC's work and provides a summary of the implementation of its recommendations.

I also wish to acknowledge the co-operation of the many individuals at the agencies we audit, as well as their appointed auditors. Without the assistance of government officials, we would be unable to report on the quality of their management to the Legislative Assembly.

Finally, this Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment make this report possible. A list of staff is set out in the following exhibit.

Brian Atkinson, FCA
Acting Provincial Auditor

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Aro, Robert
Bachelu, Gaylene
Bhat, Venkatesh
Birss, Willie
Borys, Angèle
Clark, Diana
Clemett, Tara
Deis, Kelly
Dickin, Deann
Dressler, Nicole
Drotar, Charlene
Fawcett, Mark
Ferguson, Judy
Funk, Curtis
Grabarczyk, Rod
Griffiths, Clinton
Halladeen, Aaron
Hamilton, Scott
Hansen, Melissa
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hungle, Angie
Jensen, Rory
King, Mark
Knox, Jane
Kress, Jeff
Lindenbach, Michelle
Lowe, Kim
Maynes, Laura
McIntyre, Mitchell
Mitchell, Heather
Montgomery, Ed
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Osayande, Nicole
Pattullo, Candice
Pituley, Jonathan
Rau, Brent
Reimer, Stephanie
Rybchuk, Corrine
Schlamp, Perry
Schwab, Victor
Shaw, Jason
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Sych, Larissa
Tomlin, Heather
Volk, Rosemarie
Watkins, Dawn
Yee, Ken

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Advanced Education, Employment and Immigration

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Main points

The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. Without following its established procedures for removing user access, the Ministry risks the loss of public money and inappropriate access to confidential information.

The Saskatchewan Apprenticeship and Trade Certification Commission needs to establish rules and procedures to reconcile its accounting records to its cash held by the General Revenue Fund. Timely reconciliations help detect errors or misuse of money quickly.

Saskatchewan Institute of Applied Science and Technology (SIAST) purchased land for approximately $6.7 million without obtaining appropriate approval. It also has not fully addressed our 2008 recommendations to improving its risk management processes.

Introduction

The mandate of the Ministry of Advanced Education, Employment and Labour (effective June 29, 2010, the Ministry was continued as the Ministry of Advanced Education, Employment and Immigration) (Ministry) is to foster the attraction, development and retention of an educated, skilled and productive workforce to meet the needs of a growing and innovative economy.[1]

Its responsibilities are set out primarily in *The Post-Secondary Education and Skills Training Act* and *The Labour Standards Act*.

Related special purpose funds and agencies

At March 31, 2010, the Ministry was responsible for the following special purpose funds and agencies:

	Year-end
Saskatchewan Student Aid Fund	March 31
Training Completions Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Great Plains College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30

---

[1] *Ministry of Advanced Education, Employment and Labour, 2009-2010 Annual Report*, p. 5.

Financial overview

As set out in the table below, the Ministry spent over $866 million in 2009-10.

Table 1

		Estimates 2009-10[2] (in millions of $)	Actual 2009-10
Central Management and Services	$	25.5	21.7
Student Support Programs		61.4	66.6
Post-Secondary Education		625.1	651.7
Immigration		12.6	10.4
Training Programs		40.6	41.8
Career and Employment Services		41.7	40.8
Graduate Retention Program		18.5	18.5
Worker's Advocate		0.6	0.5
Occupational Health and Safety		7.5	7.2
Labour Relations Board		1.0	0.9
Labour Relations and Mediation		0.7	0.9
Labour Standards		2.5	2.5
Status of Women Office		0.4	0.4
Capital Asset Amortization		1.9[3]	2.2
Total Expenses		840.0	866.1
Capital Asset Acquisitions		2.0	2.6
	$	842.0	868.7

In 2009-10, the Ministry had revenues of $153.1 million of which 93% came from the Federal Government primarily for Federal-Provincial cost sharing programs.

The Ministry's *2009-10 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates (www.aeel.gov.sk.ca).

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[2] Saskatchewan Finance, *2009-2010 Saskatchewan Estimates*. The Estimates total does not include the additional $28.3 million authorized through the *Saskatchewan Supplementary Estimates* for Advanced Education, Employment and Labour (Vote 37).

[3] Amortization is not included in appropriation.

This chapter also includes an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Audit conclusions and findings

This section reports the results of our 2010 audits of the Ministry, the Saskatchewan Student Aid Fund, the Training Completions Fund, three of seven regional colleges (Carlton, Northlands, and Southeast), SATCC, and SIAST.

In our opinion, for the fiscal years ending on or before June 30, 2010:

- **the Ministry and the above-listed agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Ministry and the above-listed agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- **the financial statements of the above-listed agencies are reliable**

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other four colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related ministry officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor of each agency. We use the framework recommended by the *Report of the Task Force on Roles,* *Responsibilities and Duties of Auditors.*[4] The auditors of the other four colleges did not report any new matters for the colleges they audited.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP
Carlton Regional College	E.J.C. Dudley & Co.
Northlands Regional College	Deloitte & Touche LLP
Southeast Regional College	Cogent Business Consulting

Later in this chapter, we report the status of our previous recommendations about SIAST's risk management processes and provide an update on recommendations previously made that are not yet implemented.

User access

The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data.

The Ministry has adequate procedures for removing user access to its computer systems and data. However, the Ministry did not follow its established procedures. During the audit, we noted ten instances where the Ministry had not removed unneeded access on a timely basis.

Unless it follows its established procedures for removing user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry is exposed to the risk of loss of public money and inappropriate access to confidential information.

1. **We recommend that the Ministry of Advanced Education, Employment and Immigration follow its established procedures for removing user access to its computer systems and data.**

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[4] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Information technology strategic plan needed

In 2009, we recommended the Ministry prepare an information technology strategic plan.

In May 2010, PAC agreed with our recommendation.

The Ministry has not prepared a multi-year information technology (IT) plan that links to strategic business objectives. An IT strategic plan can help management ensure IT initiatives are appropriate to meet the Ministry's direction. It would also help management determine if it has addressed all the threats and risks to the Ministry's security. The Ministry needs an IT strategic plan to ensure its use of resources supports its strategic objectives. The Ministry did not prepare and approve an IT strategic plan for the year.

We continue to recommend that the Ministry of Advanced Education, Employment and Immigration prepare an information technology strategic plan.

Management told us the Ministry has approved a three-year IT plan and is in the preliminary stages of developing an information technology strategic plan.

Saskatchewan Apprenticeship and Trade Certification Commission

The Saskatchewan Apprenticeship and Trade Certification Commission (SATCC) is established under *The Apprenticeship and Trade Certification Commission Act, 1999*. SATCC manages the provincial apprenticeship and trade certification system. This includes:

- designating trades for apprenticeship training and certification
- registering and monitoring the training of apprentices and journey people
- facilitating training delivery
- providing certification of achieved skill level to apprentices and journey people
- representing Saskatchewan on interprovincial apprenticeship and trade certification initiatives

In 2010, SATCC had revenues of $20.7 million, including $18.8 million from the Ministry (General Revenue Fund), and had expenses of $21.4 million. At June 30, 2010, SATCC's accumulated surplus was $1.8 million. SATCC's financial statements are in SATCC's 2009-2010 Annual Report at www.saskapprenticeship.gov.sk.ca.

Better control over cash needed

SATCC needs to establish rules and procedures to reconcile its accounting records to its cash held by the General Revenue Fund (GRF).

SATCC does not have its own bank account. Rather it uses the GRF's bank account and MIDAS[5], its central financial system, to record receipts and make payments. SATCC's procedures do not require employees to reconcile its accounting records to its cash amount recorded in MIDAS each month. Regular reconciliation of its accounting records to its cash amount recorded in MIDAS provides an important check that all charges are proper and all money is received and deposited into the correct account. It also provides a check on the accuracy and reliability of SATCC's accounting records. Furthermore, timely reconciliations help detect errors or misuse of money quickly.

2. **We recommend that the Saskatchewan Apprenticeship and Trade Certification Commission establish rules and procedures to reconcile its accounting records to its cash amount recorded in MIDAS promptly.**

Management told us that it is in the process of implementing procedures to reconcile its accounting records to its GRF balance.

Saskatchewan Institute of Applied Science and Technology

The Saskatchewan Institute of Applied Science and Technology (SIAST) is a large post-secondary education institution established under *The Saskatchewan Institute of Applied Science and Technology Act* (Act). A government-appointed Board is responsible to set policies and align its strategic direction with the goals of the Ministry.

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[5] Multi-informational Database Applications System administered by the Ministry of Finance.

SIAST's operations are decentralized with four campus locations (Prince Albert, Saskatoon, Regina, Moose Jaw). In 2009-10, SIAST spent $211 million to provide services to about 15,500 students. SIAST's financial statements are in the SIAST 2009-2010 Annual Report at www.siast.sk.ca.

Purchase without Minister's approval

SIAST purchased land for approximately $6.7 million without obtaining the Minister's approval.

Section 14(2) of the Act requires SIAST to obtain the approval of the Minister before purchasing or disposing of any real property.

During the year ended June 30, 2010, SIAST purchased two parcels of land adjacent to the existing Kelsey campus in Saskatoon for approximately $6.7 million. Management told us that SIAST did not have the Minister's approval for these purchases and that subsequently, the Minister denied approval for these purchases.

3. We recommend Saskatchewan Institute of Applied Science and Technology obtain approval of the Minister of Advanced Education, Employment and Immigration before making purchases of real property.

Risk management—a follow-up

SIAST's role is to prepare skilled workers with a technical education (e.g., trades, business, technology, health sciences, etc.). Demand for skilled workers fluctuates with changes in the economy, creating risks for SIAST. Effective management of SIAST's risks and achievement of its objectives can positively influence Saskatchewan's economy.

In 2008, we assessed SIAST's processes for risk management. Our 2008 Report – Volume 3, Chapter 2 (p. 35-44) concluded that SIAST's Board did not have adequate processes for risk management as of June 30, 2008.

We made two recommendations about the Board's risk management processes. On December 9, 2008, PAC agreed with our recommendations.

The following sections set out the recommendations (in italics) and describe our follow-up of management's actions to August 31, 2010. We found that SIAST has made good progress toward meeting our recommendations.

Comprehensive risk management policies and procedures

We recommended that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:

- *define key terms and processes*
- *assign roles and responsibilities for risk management*
- *require risks be identified in relation to strategic objectives*
- *require analysis of risk likelihood and impact including timeframes*
- *set criteria to evaluate risk tolerance*
- *outline guidance to treat key risks*

SIAST defines most key terms related to risk management in its corporate risk registry. It uses its definitions by including them in working documents and some reports. SIAST does not yet define the term "risk." Defining risk to include missed opportunities as well as adverse consequences could help SIAST meet its goals and objectives.

SIAST documents its processes for risk management in the introduction to worksheets. For example, the format for documenting how a risk will be reduced requires managers to list the actions planned, resources needed, who is responsible, monitoring, etc.

SIAST's Board has a policy on risk management that assigns roles and responsibilities. The policy states the Board is to "annually assess and prioritize existing and emerging risks." The policy makes clear that senior management is responsible to identify, monitor, and manage risks, reducing them where possible. In addition, in 2010, SIAST assigned a director of enterprise risk management to lead its work in this area.

The Board's risk management policy relates risks to SIAST's broad mission rather than to its strategic objectives. To implement this policy, managers relate risks to the four "themes" in SIAST's strategic plan. It is difficult to relate risks to broad mission or theme statements in a way that supports meaningful risk management. For example, SIAST's corporate risk registry relates 22 of its 29 risks to the same theme "leading organizational effectiveness."

Exhibit 1— excerpt from SIAST's Strategic Plan 2009-2019 (p. 10)

Mission:

SIAST is Saskatchewan's primary public institution for the development and delivery of post-secondary technical education and skills training. We share knowledge, provide skills training and engage in applied research, meeting the needs of students, employers and communities.

Strategic Themes:
Building successful careers. Advancing economic and social prosperity. Leveraging educational innovation. Leading organizational effectiveness.

SIAST may find it more useful to relate its risks to strategic directions that are more specific such as SIAST's goal statements (e.g., "expand facilities to accommodate enrolment growth, expand innovative ... partnerships").[6] Managers more readily identify meaningful risks for specific goals. In addition, the Board may find it easier to point out unidentified risks and ask questions. Management told us it plans to relate risks to strategic goals as it further develops its risk management processes.

SIAST's risk management policy requires analysis of risk likelihood and impact, but not identification of the timeframe in which a risk may be most serious. Timeframes help managers identify realistic risks, establish timely monitoring, and set milestones for reducing risks. The Board should update its risk management policies to reflect SIAST's current risk management practices. In 2010, management used a risk matrix to help analyze the likelihood of risks. The matrix guides managers to estimate how imminent the risk is (i.e., the timeframe). For example, management estimates that highly likely risks could occur within the year and risks with low likelihood could occur within five to ten years.

SIAST's policies do not set criteria to evaluate risk tolerance (e.g., how much risk to tolerate without intervention) and do not address risk treatment (e.g., options for managing risks). Management describes a process for evaluating which risks to treat. Also, management has a format for risk treatment action plans. In August 2010, SIAST had not begun to use these processes and formats. A policy addressing risk tolerance and risk treatment options would give the Board an opportunity to require and influence these important practices.

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[6] SIAST Strategic Plan 2009-2019, p. 12 and 14, goal statements 1.2 and 2.3 (abbreviated).

SIAST continues to work on this recommendation.

Written reports to Board on risk analysis and outcomes

We recommended that the Saskatchewan Institute of Applied Science and Technology's Board require that the written risk management reports it receives include analysis of risks and outcomes of risk management.

At August 31, 2010, SIAST's risk management policy requires reports about risk management. The policy expects senior management to provide annual reports to the Board about existing and emerging risks, efforts to manage priority risks, and outcomes of SIAST's risk management efforts.

SIAST frequently gives the Board written progress reports on its risk management project and the next steps planned. In addition, SIAST's Board receives some written reports about individual risks and actions to manage them. For example, SIAST gives the Board written reports about a specific administrative risk and actions to manage it (e.g., developing facilities, funding). SIAST also gives the Board verbal reports of risks to its academic objectives.

Annually, the Board receives a summary report on its priority risks. It received updates on the prioritized risks in April 2009 and June 2010. For example, in June 2010, the Board received a summary report identifying six priority risks. This report explained how SIAST analyzed its risks and ranked them. It did not include risk management outcomes. For example, if SIAST cannot retain its instructors and/or expand its teaching space, the outcomes could include lower than expected student enrolment and less revenue than anticipated in SIAST's budget.

SIAST continues to work on this recommendation.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[7]

Table 2

PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Advanced Education, Employment and Immigration		
2009	PAC concurs: 2-2 that the Ministry of Advanced Education, Employment and Labour develop a human resource plan.	**Partially implemented** (as at March 31, 2010). The Ministry developed a draft 2009-10 Human Resource Plan; however, it was never formally approved.
2009	PAC concurs: 2-3 that the Ministry of Advanced Education, Employment and Labour sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office (ITO).	**Partially implemented** (as at March 31, 2010). Management told us the Ministry is working with ITO to develop a new Service Level Agreement, which will include disaster recovery requirements.
2009	PAC concurs: 2-4 that the Ministry of Advanced Education, Employment and Labour monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.	**Partially implemented** (as at March 31, 2010). Management told us the Ministry is working with the ITO to implement a security plan, including: ♦ security policy guidance ♦ reporting improvements ♦ employee awareness ♦ better system access controls ♦ security audits

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[7] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[8] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Institute of Applied Science and Technology		
2007	PAC concurs: 3-7 that Saskatchewan Institute of Applied Science and Technology's board should work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress towards its human capacity objectives.	**Partially implemented** (as at February 28, 2010).
Ministry of Advanced Education, Employment and Immigration (Construction projects)		
2005	PAC concurs: 13-2 that the Ministry of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risk on approved capital projects.	**Partially implemented** (as at March 31, 2009). We plan a follow-up in 2011.

PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Advanced Education, Employment and Immigration (Welfare to Work)		
2005	PAC concurs: 4-2 that the Department of Community Resources and Employment should select additional performance measures that directly assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2010). There have been numerous changes since our 2006 follow-up of "Welfare to Work". When this was first reported, the program was in the Department of Community Resources and Employment. Employment programs now reside in the Ministry. The Ministry is assessing how to respond to the recommendations under the new Ministry structure.
2005	PAC concurs: 4-3 that the Department of Community Resources and Employment should establish baseline results and targets for each measure.	
2005	PAC concurs: 4-4 that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets.	
2005	PAC concurs: 4-5 that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures.	
2005	PAC concurs: 4-6 that the Department of Community Resources and Employment should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.	
2005	PAC concurs: 4-7 that the Department of Community Resources and Employment should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.	**Not implemented** (as at March 31, 2010). See above.

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Agriculture

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- Need to charge for all uses in surface leases 25
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Main points

The Ministry of Agriculture (Agriculture) needs to collect better information on petroleum and natural gas leased land. This will help Agriculture assess and collect all public money due. Since 2007, based on Agriculture's work to July 2010, it estimated that it undercharged lessees $600,000 for surface land leases.

Agriculture needs adequate information technology (IT) processes in the following areas: preparing an IT plan, maintaining a disaster recovery plan for critical IT systems, monitoring the adequacy of IT services handled by the Information Technology Office, and removing staff's access to IT systems promptly when no longer needed. Adequate IT processes will help Agriculture to keep its IT systems and data confidential and available and to maintain the integrity of its data.

Agriculture needs to reconcile its detailed records to its financial records so that financial information it uses for decision-making is always accurate. Also, it needs to better document the basis for its significant accounting estimates to help ensure it produces reasonable estimates for decision-making.

Agriculture also needs to follow its processes so that it prepares accurate financial statements for the Saskatchewan Agricultural Stabilization Fund.

Introduction

The purpose of the Ministry of Agriculture (Agriculture) is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.[1]

Special purpose funds and Crown agencies

At March 31, 2010, Agriculture was responsible for the following special purpose funds and Crown agencies. Each one has a March 31 year-end unless otherwise noted.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board (December 31)
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Crop Insurance Corporation
Thomson Meats Ltd. (December 31)
Pension Plan for the Employees of Thomson Meats Ltd. (December 31)

Financial overview

For the year ended March 31, 2010, the Government's total agricultural expenses were $628 million and its agricultural-related revenues were $725 million. Exhibit 1 sets out expenses by program and revenues by source as reflected in the Government's 2009-10 Summary Financial Statements.

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[1] Ministry of Agriculture, Ministry Plan for 2009-10, p. 1.

Exhibit 1—Government's agricultural expense and revenue

	2010	2009
	(in millions of dollars)	
Agriculture expense by program:		
Crop Insurance	$ 382	$ 346
Farm Stability	181	131
Other	65	250
	$ 628	$ 727
Agriculture revenue by source:		
Federal Government	$ 344	$ 195
Producers' Crop Insurance Premiums	179	188
Sales, Services, Fees and Other	202	208
	$ 725	$ 591

During 2009-10, Agriculture incurred expenses of $393 million (2009-$424 million) and had revenues of $160 million (2009-$149 million). Agriculture's annual report[2] provides further detail including reasons for differences from its approved budget.

Audit conclusions and findings

This chapter contains the results of our audits of Agriculture and its agencies with years ended March 31, 2010.

Our Office worked with KPMG LLP, appointed auditor for Saskatchewan Agricultural Stabilization Fund, Saskatchewan Crop Insurance Corporation, and Crop Reinsurance Fund of Saskatchewan and Meyers Norris Penny LLP, appointed auditor for Agricultural Credit Corporation of Saskatchewan. For these agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[3] For the related agencies, our Office and its appointed auditor formed the opinions below.

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[2] See www.finance.gov.sk.ca/PlanningAndReporting/2009-10/Agriculture2009-10AnnualReport.pdf for Agriculture's 2009-10 Annual Report.

[3] This report is available on our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended March 31, 2010:

- **Agriculture and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Agriculture and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- **the financial statements of the agencies are reliable**

Need to charge for all uses in surface leases

Agriculture did not collect sufficient information to know whether it assesses the correct surface lease rate on petroleum and natural gas leases.

For the year ended March 31, 2010, Agriculture recorded approximately $27 million in lease revenue from petroleum and natural gas surface leases. At March 31, 2010, Agriculture had made approximately 6,500 petroleum and natural gas leases.

We expected Agriculture would have processes to identify approved changes in lease rates, update its computer system with approved lease rates, collect sufficient information on land usage to charge appropriate rates, and assess lessees based on appropriate lease rates.

Agriculture has written guidance for identifying changes in lease rates. It recognizes that *The Provincial Lands Regulations* (Regulations) sets different surface lease rates for different land use or situations (e.g., for cultivated land, pasture land, land with battery sites[4] or roads).[5] It updates its computer system with these approved rates. However, it does not collect sufficient information about land use or situations. For example, it does not have complete information on the number and age[6] of battery sites located on leased lands. It also does not have processes to know when lessees change land use or situations (e.g., add a road or additional wells). Without this information, Agriculture does not know if it is charging the correct surface lease rate.

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[4] *The Surface Rights Acquisition and Compensation Act* defines a battery site as that portion of the surface of land, other than a well site or roadway, required for access to and to accommodate equipment and storage tanks necessary to measure, separate or store the fluids, minerals and water, or any of them, from wells.

[5] *The Provincial Lands Regulations*, Schedule Six – Surface lease fees and rentals.

Since January 2010, Agriculture has started to identify the number of battery sites and when they were created. At July 2010, Agriculture had not completed its work. Since 2007, based on work to date, Agriculture estimated that it had undercharged lessees $600,000 for surface land leases.

Without processes to collect information about lessees' use of petroleum and natural gas leased land and battery sites, Agriculture cannot assess and collect all public money due.

1. **We recommend that the Ministry of Agriculture develop processes to collect sufficient information on petroleum and natural gas leased lands to enable it to charge the correct surface lease rates as set out in *The Provincial Land Regulations*.**

Need to strengthen information technology processes

Agriculture did not have adequate processes over its information technology (IT) in the following areas:

- an IT plan
- disaster recovery plan for critical IT systems
- monitoring the adequacy of IT services handled by the Information Technology Office (ITO)
- timely removal of staff's access to IT systems when no longer needed (e.g., upon departure or change in roles)

During 2009-10, Agriculture used about 50 different IT systems to deliver its services. These include systems to: process and prepare financial information, track land and its use, record applications from producers for training programs, record agricultural research projects, and regulate various permits (e.g., pesticide applicators). In some of its IT systems

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[6] Since 2007, the amended *The Provincial Lands Regulations* created a separate rate for battery sites.

Agriculture keeps personal and confidential information such as social insurance numbers and producer income tax information.

Agriculture received the following IT services from ITO under a service agreement:

- acquisition and maintenance of infrastructure
- client support
- applications development and project management services

We expected that Agriculture would maintain a written IT plan that sets out its IT objectives linked to its IT strategic objectives, the threats and risks it faces for its IT systems and data, how it plans to meet its IT objectives and the resources required. We also expected that Agriculture would have processes to keep its systems and data confidential and available, and to maintain integrity of data processed. For systems managed by ITO, Agriculture's service agreement with ITO would set out the responsibility of each party; and it would actively monitor ITO's compliance with the terms of its service agreement.

Agriculture uses an IT committee (with senior management representation) to monitor Agriculture's IT plans and discuss IT issues. However, it does not have a written plan that sets out its objectives, the risks faced, plans to meet its objectives, and the resources required. Without a written IT plan, Agriculture may not fully recognize or address threats and risks to its IT systems, allocate sufficient resources, or meet its IT objectives.

2. We recommend that the Ministry of Agriculture prepare a written information technology plan.

Agriculture has developed its own disaster recovery plan (DRP) for one of its critical IT systems, the Crown Land Management System. However, Agriculture has not tested this DRP and thus does not know if it will work. It has not developed a DRP for its other critical IT systems (e.g., the Livestock Information Management System). Also, Agriculture's service agreement with ITO does not adequately address disaster recovery. As a result, it does not know whether ITO can restore the systems and data in sufficient time to meet its requirements in the event of a disaster. Without an adequate disaster recovery plan, Agriculture may not be able to provide required services.

3. **We recommend that the Ministry of Agriculture have tested disaster recovery plans for its critical computer systems.**

Agriculture uses an IT committee to monitor the services received from ITO. This Committee provides ITO with direction about Agriculture's IT plans and discusses IT issues. As expected under the service agreement, Agriculture receives, reviews, and follows up issues (if any) noted on reports from ITO (e.g., Ministry IDS/Firewall report). However, Agriculture did not request and ITO did not provide any assurance that ITO's controls operate effectively. For example, Agriculture does not receive from ITO our report on the adequacy of ITO's processes to maintain client information technology systems and data.[7] Without receiving such information, Agriculture does not know whether its systems and data administered by ITO are at risk.

4. **We recommend that the Ministry of Agriculture obtain assurance from the Information Technology Office on the operating effectiveness of Information Technology Office's controls over its client systems and data and assess the impact of deficient controls on Agriculture's operations.**

Although Agriculture has adequate written procedures for changing staff access to its computer systems and data, staff did not always follow them. During the audit, we noted that staff did not remove promptly access of terminated staff to computer systems. Without following its established procedures for removing user access, Agriculture cannot ensure that only authorized individuals have access to its computer systems and data. This increases its risk of loss of public money and inappropriate access to confidential information.

5. **We recommend that the Ministry of Agriculture follow its procedures for making timely changes to computer user access.**

Financial records need reconciling

Agriculture did not properly reconcile its detailed records to its financial records.

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[7] Each year, our Office assesses the adequacy of ITO's controls to protect the confidentiality, integrity, and availability of client information technology systems and data.

Agriculture has significant assets, liabilities, revenues, and expenses (e.g., land net book value of $70 million, total accounts payable of about $200 million). Because of the volume of transactions and complexity of certain programs, Agriculture uses separate accounting systems to process and record financial activity.

We expected Agriculture to require staff to reconcile periodically amounts recorded in the detailed financial records to amounts recorded in MIDAS (its general ledger). We expected a second person would review the accuracy and completeness of these reconciliations. These processes would make sure its financial records are complete and accurate.

We found that Agriculture has adequate written procedures requiring staff to reconcile, each month, detailed records to financial records for such items as land transactions and amounts owing to others. This process requires staff independent of preparation to review the reconciliation.

During the year, Agriculture staff did not follow these procedures. Staff did not properly reconcile its financial records (MIDAS) to its detailed records or source documents in the following two areas:

- land transactions recorded in its land system

  At March 31, 2010, Agriculture did not record about $1.8 million of gains on sale of land in its land system or in its financial records (MIDAS). Management corrected MIDAS. After further review, Agriculture could not explain $800,000 of gains on land sales recorded in MIDAS but not in its land system.

- program costs for its share of the farm and ranch water infrastructure program

  At March 31, 2010, Agriculture did not record $2.8 million for the amounts owed to the Saskatchewan Agricultural Stabilization Fund for this program.

Not following processes to reconcile detailed records to financial records properly increases the risk of incorrect financial information used for decision-making.

6. **We recommend that the Ministry of Agriculture follow its procedures for reconciling its detailed records to its financial records.**

Accounting estimates need strengthening

In our 2009 Report – Volume 3, we recommended Agriculture consistently document assumptions and analysis when making significant accounting estimates. On June 25, 2010, the Standing Committee on Public Accounts (PAC) agreed with our recommendation. We continue to make this recommendation.

Agriculture's significant accounting estimates at March 31, 2010 include the following:

- uncollectible receivables of $12 million ($9.2 million - March 31, 2009)
- amounts due from the Federal Government for its share of business risk management programs of $2.7 million ($4 million - March 31, 2009)
- amounts owed to the Federal Government for business risk management programs (i.e., AgriStability[8]) of $85.8 million ($140 million - March 31, 2009) and related expense of $96.9 million ($118.1 million - March 31, 2009)
- permanent impairment in the value of its land of $0 ($8.1 million - March 31, 2009)

We expected Agriculture to keep clear documentation (e.g., of methods used, supporting data, key assumptions), use a consistent method to make its estimate each year, and have an individual, independent of preparation of the estimate, review the reasonableness of the estimate and document the results of this review. Clear documentation facilitates review and efficient future revisions.

We found that Agriculture did not always keep clear documentation of the method used as the basis for its estimates, assumptions used to make its estimates, or review of its estimates.

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[8] AgriStability is a business risk management program designed to provide financial support when producers incur large financial losses. http://www.saskcropinsurance.com/agristability/program. (accessed on July 30, 2010).

For example, for its estimate of expenses and the amounts owed to the Federal Government for AgriStability, Agriculture had limited documentation supporting its review of the key assumptions (e.g., expected producer production, crop prices, expenses, producer participation) used to support its estimates and the method used to calculate these estimates. At March 31, 2010, Agriculture adopted the Federal Government's estimate of AgriStability costs as the basis of its estimate.

Not documenting the basis for significant accounting estimates increases the risks of: making unreasonable estimates, and producing incorrect information for decision-making.

Unauthorized transfer of the Provincial Dairy Laboratory

Since our 2008 Report – Volume 3 (Chapter 3), we recommended Agriculture comply with the law or seek changes to the law to allow the transfer of its regulatory responsibilities carried out by the Dairy Lab to another agency. On December 8, 2008, PAC agreed with our recommendation.

Under *The Animal Products Act* and related regulations, Agriculture is responsible for public health related to animal products including the quality of milk supply. Agriculture established the Dairy Lab to carry its responsibility related to the milk supply. In 2006, Agriculture transferred the responsibility to operate the Provincial Dairy Laboratory (Dairy Lab) from Agriculture to the Milk Control Board without proper legislative authority. In February 2010, Agriculture closed the Dairy Lab. Consequently, the Board spent about $1.5 million from April 1, 2006 to February 2010 on the Dairy Lab's activities without proper authority.[9]

On May 20, 2010, *The Milk Control Repeal Act* (Repeal Act) received royal assent and came into effect on October 1, 2010. The Repeal Act gives Cabinet authority to transfer to a milk marketing board any assets, liabilities, contracts, and personal property of the Milk Control Board.

Also, *The Miscellaneous (Animal Products Act) Repeal Regulations, 2010* (Repeal Regulations) came into effect on the same date as the Repeal

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[9] The Milk Control Board entered into an agreement in January 2010 with a private laboratory to complete testing of milk.

Act. The Repeal Regulations removes Agriculture's responsibility to regulate the licensing of dairy producers, milk transport operators, and graders or testers of milk.[10]

Saskatchewan Agricultural Stabilization Fund

Background

Agriculture administers the Saskatchewan Agricultural Stabilization Fund (Fund). The Fund reports the transactions of the following programs.

The New Crops Insurance Program
The Wildlife Damage Compensation Program
The Agricultural Income Disaster Assistance Program (AIDA)
The Canadian Farm Income Program (CFIP)
The Canada-Saskatchewan Bovine Spongiform Encephalopathy Recovery Program (BSE)
Canada-Saskatchewan Specified Risk Material Management Program (SRM)
Farm and Ranch Water Infrastructure Program 2008 & 2009 (FRWIP)

The Fund's financial statements for the year ended March 31, 2010 report revenues of $36.4 million and expenses of $35 million. The financial statements also report net financial assets of $24.9 million at March 31, 2010.

The Government of Canada (Canada) and the Government of Saskatchewan (Saskatchewan) agreed to share the costs of the above programs. Saskatchewan administers all the programs except AIDA and CFIP. Canada administers AIDA and CFIP.

The laws governing these programs and the agreements between Canada and Saskatchewan require that the Fund must use all money paid into it for the purposes of the programs. In addition, Agriculture must return any money received and not used to pay for program costs to Canada and Saskatchewan at the end of the programs. The Fund operates on a break-even basis except for the interest income earned on advances, which the Fund may keep.

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[10] *The Miscellaneous (Animal Products Act) Repeal Regulations, 2010* repeals *The Dairy Producers Regulations, 1995*, *The Milk Transportation Regulations* and *The Dairy Product Grading Regulations*.

Need to follow financial reporting established processes

In our 2009 Report – Volume 3, we recommended that Agriculture follow its established processes for preparing accurate year-end financial statements for the Fund. On June 25, 2010, PAC agreed with our recommendation.

Agencies need accurate and timely financial reports to make informed decisions. They need to define the financial reports they need to monitor operations and establish processes to prepare those financial reports.

Agriculture recorded more than the assistance owing to others such as producers and operators of slaughter facilities in the Fund's financial statements for the year ended March 31, 2010. The financial statements presented for audit overstated the SRM program expenses by $0.4 million.

Agriculture corrected the Fund's year-end financial statements when informed of the errors. Incorrect financial reports increase the risk of inappropriate or incorrect financial decisions.

We continue to recommend that the Ministry of Agriculture follow its established processes for preparing accurate year-end financial statements for the Fund.

Improper use of public money

During the year, Agriculture's controls detected a misuse of public money in the FRWIP.

A third party vendor was building dugouts for producers and issuing receipts for more than the price of the work done. The producers submitted these receipts to Agriculture as expenses eligible for 50% reimbursement under the FRWIP. As a result, the producers, using this vendor, received more money than they were entitled to under the program.

Agriculture is investigating and has asked all identified producers to pay back the ineligible portion of the grant. Agriculture told us that as of August 18, 2010, it has uncovered overpayments for 13 producers for a total of $20,290. Of this total, $11,538 has been repaid. Agriculture has not completed its investigation.

Agriculture has since changed its processes to include asking producers to submit cancelled cheques or other proof of payment.

Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on the recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[11]

Exhibit 2

PAC REPORT YEAR[12]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Agriculture (Regulating Pesticides)		
2009	PAC concurs: 2-1 that the Ministry of Agriculture formally analyze the risks that licensees and exempt persons are not following pesticide control laws.	**Partially implemented** (as at March 31, 2010). We plan to do a follow-up in 2012.
2009	PAC concurs: 2-2 that the Ministry of Agriculture document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws.	**Partially implemented** (as at March 31, 2010). We plan to do a follow-up in 2012.
Saskatchewan Crop Insurance Corporation (Setting Premium Criteria)		
2009	PAC concurs: 3-4 that the Saskatchewan Crop Insurance Corporation document and approve all of its procedures for calculating premium rates.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2012.

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[11] For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

[12] "PAC Report Year" refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[12]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 3-5 that the Saskatchewan Crop Insurance Corporation establish and document procedures to check the accuracy of data and formulas used to calculate premium rates.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2012.
2009	PAC concurs: 3-6 that the Saskatchewan Crop Insurance Corporation Board of Directors approve an internal auditor plan that includes follow up of the internal auditor's recommendations.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2012.

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Corrections, Public Safety and Policing

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Main points

The Ministry of Corrections, Public Safety and Policing (Ministry) needs to establish adequate written policies and procedures for making payments to First Nations for policing services. The Ministry also needs to prepare accurate financial reports for its Correctional Facilities Industries Revolving Fund.

The Ministry should ensure its internal audit function focuses on activities where the Ministry is at greatest risk. For example, the Ministry continues to pay employees more than they are owed.

The Ministry should also follow the terms of its shared service agreement with the Ministry of Justice and Attorney General, adequately protect its information technology systems and data, and complete its business continuity plan.

Introduction

The mandate of the Ministry of Corrections, Public Safety and Policing (Ministry) is to promote safe and secure communities through: supporting effective policing and law enforcement; rehabilitation and treatment services and programs for adult and young offenders; emergency planning and communication; monitoring building standards, fire prevention and disaster assistance programs; and licensing and inspection services.[1]

The Ministry focuses on activities in five main areas: adult corrections, young offenders programs, licensing and inspections, protection and emergency services, and policing services.

In 2009-10, the Ministry raised revenues of $40 million and spent about $360 million. Almost 43% (2008-09 about 59%) of Ministry revenues are from the Federal Government for cost-sharing programs. Information about the Ministry's revenues and expenses appears in its 2009-10 annual report.[2]

The following is a list of the Ministry's major programs and spending:

	Original Estimates[3]	Actual
	(in millions of dollars)	
Central Management & Services[4]	$ 20.9	$ 22.8
Adult Corrections[4]	99.9	104.4
Young Offenders Programs	51.1	49.6
Public Safety	9.5	20.1
Policing Services	142.1	142.8
Capital asset amortization	0.5[5]	0.6
Total expense	324.0	340.3
Capital acquisitions[6]	43.1	20.8
	$ 367.1	$ 361.1

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[1] Ministry of Corrections, Public Safety, and Policing, 09-10 Annual Report, p.6.

[2] See http://www.cpsp.gov.sk.ca/2009-2010CPSPAnnualReport (30 Sep 2010).

[3] *Saskatchewan Provincial Budget 09-10 Estimates* – Corrections, Public Safety and Policing Vote 73: Government of Saskatchewan.

[4] Original estimates amount shown is net of estimate for capital acquisitions.

[5] Amortization is not included in appropriation.

[6] Amounts reflect estimated and actual spending.

Related special purpose funds

At March 31, 2010, the Ministry was responsible for the following special purpose funds:

	Year-end
Correctional Facilities Industries Revolving Fund	March 31
Sask911 Account	March 31

Audit conclusions and findings

To form our opinion on the Sask911 Account, our office worked with KPMG LLP, the appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[7]

In our opinion, for the year ended March 31, 2010:

- **the Ministry and the above-listed special purpose funds had adequate rules and procedures to safeguard public resources except as described in this chapter**
- **the Ministry and the above-listed special purpose funds complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**
- **the financial statements of the above-listed special purpose funds are reliable**

Also, the chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC) that the Ministry has not yet implemented and are not discussed in this chapter.

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[7] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Accurate and timely financial records and reports needed

The Correctional Facilities Industries Revolving Fund (CFIRF) operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of CFIRF is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and a revenue source to reduce the costs of inmate programming. The Ministry is responsible for managing and operating CFIRF. At March 31, 2010, CFIRF had an accumulated surplus of about $140,000 and revenue of $529,000 for the year then ended.

The Ministry needs adequate processes to prepare prompt and accurate financial reports for CFIRF. It needs to provide staff with adequate written guidance and direction for preparing financial records and financial reports promptly and accurately. It also needs to supervise staff to ensure they complete their duties.

The 2009-10 CFIRF financial statements presented for audit contained several errors. For example, the Ministry did not record $81,500 in accounts payable. The Ministry corrected the CFIRF financial statements for these amounts.

1. **We recommend that the Ministry of Corrections, Public Safety and Policing implement adequate processes to prepare accurate and timely financial records and statements for the Correctional Facilities Industries Revolving Fund.**

Comply with terms of policing agreements

The Ministry needs adequate written policies and procedures for making payments to First Nations for policing services.

Over the past 10 years, the Ministry and the Government of Canada made multi-year agreements with First Nations to assist First Nations in carrying out policing services. At March 2010, the Ministry has made about 35 policing agreements with First Nations; it is to provide about $1.7 million to First Nations annually. Under the terms of the agreements, the Ministry is to make advance payments to First Nations quarterly. At the end of the fiscal year, First Nations are to provide the Ministry with audited financial statements that show the actual expenses and return the funds not spent.

The Ministry has assigned staff to work with First Nations. The Ministry meets with First Nations on the agreements' requirements including the need for audited financial statements and the related impact on funding. However, at March 31, 2010, the Ministry continues to receive unaudited financial statements from some First Nations and no financial statements from a few First Nations.

Instead of consistently making advance payments to First Nations on a quarterly basis as the agreements require, the Ministry often waits until it receives unaudited financial statements. At March 31, 2010, the Ministry has not advanced $1.2 million to First Nations.

The Ministry needs to establish adequate written policies and procedures for making payments to First Nations for policing services. Not making quarterly advances does not comply with the terms of the agreements and increases the risk that First Nations will not have sufficient funds to carry out their policing services. Also, lack of receipt of audited financial statements increases the risk the Ministry may pay the First Nations incorrect amounts.

2. **We recommend that the Ministry of Corrections, Public Safety and Policing establish adequate written policies and procedures for making payments to First Nations for policing services.**

Follow shared services agreement

In our 2010 Report – Volume 1, we recommended the Ministry comply with the terms of the shared services agreement with the Ministry of Justice and Attorney General.

In April 2002, the Ministry approved a memorandum of understanding with Justice identifying the protocols for the operation of the Shared Services Branch. The shared services agreement establishes a Shared Services Management Committee, which according to the terms of the agreement should meet at least twice a year. The committee did not meet during 2009-10; however, it met in April and May 2010 (subsequent to our audit period).

The shared services agreement also establishes a Shared Services Operations Sub-Committee. Under the agreement, the committee is to perform an annual review and evaluation of the terms, conditions, services, and information provisions within the agreement. A formal review has not taken place since 2006. The Ministry told us it is in the process of updating the terms of the agreement.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing comply with the terms of the shared services agreement with the Ministry of Justice and Attorney General.

Need to follow payroll guidance

In our 2010 Report – Volume 1, we recommended the Ministry supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees. If the Ministry does not follow its policies and procedures for paying employees, it may pay them more than owed.

The Ministry's salaries and wages were approximately $133 million for the year ended March 31, 2010.

The Ministry did not correctly pay all of its employees during 2009-10. The Ministry overpaid employees approximately $230,000 for salary and vacation as of March 31, 2010. The Ministry overpaid one employee about $35,000 during 2009-10. Also, the Ministry pays employees when it has not properly approved their timecards. For the period 2008 to 2010, another employee working at a provincial correctional centre submitted incorrect timesheets and was paid $34,000 of overtime for shifts not worked.[8]

We continue to recommend that the Ministry of Corrections, Public Safety and Policing supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees.

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[8] *Losses of Public Money* report tabled with the Standing Committee on Public Accounts, August 3, 2010.

Also, in our 2010 Report – Volume 1, we assessed whether the Ministry had adequate processes, as of December 31, 2009, to manage provincial correctional centres' labour costs related to absenteeism. We concluded that the Ministry's processes were not adequate. We recommended the Ministry:

- communicate to employees guiding principles such as personal accountability and fiscal responsibility
- set formal thresholds to monitor sick leave and excessive hours worked and communicate these thresholds to corrections workers
- monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g., approval of shift trades, pay out of overtime)
- pay corrections workers for actual hours worked
- establish processes to verify accurate data-entry of hours worked into the payroll system before paying employees
- periodically analyze absenteeism patterns and regularly report to senior management the risk factors that influence labour costs in correctional centres. This analysis should include all types of absenteeism (e.g., use of sick leave, shift trades) and related overtime costs
- establish adequate supervisory roles and responsibilities so that supervisors take prompt action on excessive absenteeism and overtime in correctional centres
- implement an attendance management policy

We plan to follow-up in a future report the Ministry's actions to address these recommendations.

Internal audit needs strengthening

In our 2009 Report – Volume 1, we recommended the Ministry follow its policy for its internal audit function to focus on activities where the

Ministry is at greatest risk. On February 2, 2010, PAC agreed with our recommendation.

In January 2008, the Ministry approved an internal audit policy. The policy requires a risk assessment to ensure internal audits focus on the areas with the highest risk. The internal audit policy also establishes an audit committee to oversee internal audit. This committee is to provide direction to internal audit, approve the annual audit plan based on a risk assessment, and review semi-annual summary audit reports.

The audit committee first met in June 2010 to review the internal audit work plan. According to the committee, it plans to review a risk assessment to support the overall audit work plan at its next meeting.

Without a formal risk assessment approved by the audit committee to provide direction, audit resources may not focus on the areas of greatest significance to the Ministry.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing follow its policy for its internal audit function to focus on the activities where the Ministry is at greatest risk.

Better information technology processes needed

In our 2009 Report – Volume 1, we recommended the Ministry sign an adequate agreement on disaster recovery and security with the Information Technology Office (ITO). On February 2, 2010, PAC agreed with our recommendation.

During 2009-10, the Ministry did not sign a new disaster recovery and security agreement with ITO. The Ministry's current agreement with ITO does not identify all of the security requirements. For example, the agreement does not set out what security policies and procedures the Ministry's employees need to follow. Nor does it identify disaster recovery times for significant applications.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing sign an adequate agreement on disaster recovery and security with the Information Technology Office.

Also, in our 2009 Report – Volume 1, we recommended the Ministry adequately monitor the security of its information technology systems and data. On February 2, 2010, PAC agreed with our recommendation.

The Ministry receives monthly reports from ITO. The reports include information on ITO's activities such as service levels and costs but little information on the security or availability of its systems. Also, the Ministry does not receive any information about the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's systems and data. Nor does the Ministry know if ITO could meet the Ministry's disaster recovery needs.

The Ministry has processes for removing user access from employees who no longer work for the Ministry. However, the Ministry did not follow its processes on a timely basis. If former employees do not have access removed promptly, it increases the risk of inappropriate access to the Ministry's systems and data.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing adequately monitor the security of its information technology systems and data.

Business continuity plan needed

In our 2007 Report – Volume 1, we recommended that the Ministry needed to complete and implement its business continuity plan (BCP).[9] On June 25, 2007, PAC agreed with our recommendation.

The Ministry has identified and developed plans for recovery of its critical services. The Ministry has approved its BCP, but the approved BCP has not been updated to ensure continuity of services that ITO provides. As stated earlier, Ministry does not know if ITO's disaster recovery processes meet the Ministry's needs.

The Ministry completed some BCP testing during 2009-10. The Ministry focused on continuing critical business processes in the event of a pandemic. The Ministry needs to continue to test all its critical business processes and work with ITO to ensure it can meet its system recovery needs.

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[9] **Business Continuity Plan** (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing complete and implement its business continuity plan.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[10]

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Corrections, Public Safety and Policing (Rehabilitate adult inmates)		
2009	PAC concurs: 2-3 that the Ministry of Corrections, Public Safety and Policing consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.	**Partially implemented** (as at March 31, 2010).
2009	PAC concurs: 2-5 that the Ministry of Corrections, Public Safety and Policing monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required.	**Partially implemented** (as at March 31, 2010).
2009	PAC concurs: 2-6 that the Ministry of Corrections, Public Safety and Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.	**Partially implemented** (as at March 31, 2010).

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[10] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[11] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Main points

The Conseil des écoles fransaskoises No. 310 (Conseil) told us that the Conseil would not co-operate with our office to complete the August 31, 2010 audit. Accordingly, we are not able to audit the Conseil in accordance with *The Provincial Auditor Act* (Act) and report our findings to the Legislative Assembly.

The Act expects agencies subject to an audit by the Provincial Auditor to co-operate. In our view, the decision by the Conseil not to co-operate with the Provincial Auditor is an interference with an officer of the Legislative Assembly in the execution of his duties as contemplated by section 24 of *The Legislative Assembly and Executive Council Act, 2007*.

The Ministry needs to approve major capital grants in accordance with its policies. We found seven projects over $500,000 that had not received proper approval.

The Teachers' Superannuation Commission has made some progress to improve its processes to adequately safeguard public resources and comply with the law. However, more work remains.

Introduction

The Ministry of Education (Ministry) provides direction for Pre-kindergarten to Grade 12 education. As well, the Ministry provides leadership to the early learning and child care, literacy, and library sectors.[1]

The Ministry's responsibilities are set out primarily in *The Education Act, 1995*, *The Child Care Act*, and *The Public Libraries Act, 1996*.

Related special purpose funds and agencies

At March 31, 2010, the Ministry was responsible for the following special purpose funds and agencies:

	Year-end
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Teachers' Superannuation Commission (Commission)	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan	June 30
Teachers' Dental Plan	December 31
Teachers' Group Life Insurance Plan	August 31
Chinook School Division No. 211	August 31
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31
Conseil des écoles fransaskoises School Division No. 310	August 31
Creighton School Division No. 111	August 31
Englefeld Protestant Separate School Division No. 132	August 31
Good Spirit School Division No. 204	August 31
Holy Family Roman Catholic Separate School Division No. 140	August 31
Holy Trinity Roman Catholic Separate School Division No. 22	August 31
Horizon School Division No. 205	August 31
Ile a la Crosse School Division No. 112	August 31
Light of Christ Roman Catholic Separate School Division No. 16	August 31
Living Sky School Division No. 202	August 31

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[1] *Ministry of Education, 2009-10 Annual Report*, p. 7.

Lloydminster Roman Catholic Separate School Division No. 89	August 31
Lloydminster Public School Division No. 99	August 31
North East School Division No. 200	August 31
Northern Lights School Division No. 113	August 31
Northwest School Division No. 203	August 31
Prairie South School Division No. 210	August 31
Prairie Spirit School Division No. 206	August 31
Prairie Valley School Division No. 208	August 31
Prince Albert Roman Catholic Separate School Division No. 6	August 31
Regina Roman Catholic Separate School Division No. 81	August 31
Regina School Division No. 4	August 31
Saskatchewan Rivers School Division No. 119	August 31
Saskatoon School Division No. 13	August 31
South East Cornerstone School Division No. 209	August 31
St. Augustine Roman Catholic Separate School Division No. 220	August 31
St. Paul's Roman Catholic Separate School Division No. 20	August 31
Sun West School Division No. 207	August 31

Financial overview

As set out in the table below, the Ministry spent over $1,334 million in 2009–10.

Table 1	Estimates 2009-10[2]	Actual 2009-10
	(in millions of dollars)	
Central Management and Services	$ 16.5	$ 15.1
Pre-K-12 Education	1,109.5	1,101.7
Early Learning and Child Care	57.8	53.9
Curriculum and E-Learning	6.1	5.4
Literacy	2.8	2.4
Provincial Library	12.3	12.3
Teachers' Pensions and Benefits	173.2	142.6
Capital Asset Amortization	1.0[3]	0.9
Total Expense	1,379.2	1,334.3
Capital Acquisitions	--	0.5
	$ 1,379.2	$ 1,334.8

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[2] Saskatchewan Finance, *2009-10 Saskatchewan Estimates*.
[3] Amortization is not included in appropriations.

The Ministry's *2009-10 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.education.gov.sk.ca).

In 2009-10, the Ministry had revenues of $12.1 million of which 63% came from the Federal Government primarily for Federal-Provincial Cost Sharing programs.

This chapter also includes an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Audit conclusions and findings

In our opinion, for the fiscal years ending on or before August 31, 2010:

- **the Ministry and the Commission had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Ministry and the Commission complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- **the financial statements of the above listed funds and the Commission's Teachers' Superannuation Plan are reliable**

The Commission did not prepare financial statements for the Teachers' Dental Plan and Teachers' Disability Plan for the years ended December 31, 2009 and June 30, 2010, respectively.

We have not completed our audit of the school divisions and Teachers' Group Life Insurance Plan financial statements for the year ended August 31, 2010. We will report our findings in a future report.

Audit of School Divisions

Because of changes to *The Education Act, 1995* in 2009, school divisions form part of the Government of Saskatchewan. Beginning with the year ended March 31, 2010, school divisions are included in the Government's Summary Financial Statements. As a result, school divisions are now subject to the audit requirements of *The Provincial Auditor Act (Act)*.

We are currently in the process of auditing school divisions for the year ended August 31, 2010. School divisions also have appointed auditors similar to other government organizations. In conducting our audit of school divisions, we are working together with their appointed auditors in accordance with the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see www.auditor.sk.ca/rrd.html).

In June 2010, the appointed auditor of the Conseil des écoles fransaskoises No. 310 (Conseil) told us that the Conseil had requested them not to provide any information to our Office. Accordingly, we cannot conduct the audit of the Conseil in accordance with the Act. The Conseil provides educational services to Saskatchewan's Francophone student population. For the year ended August 31, 2009, the Conseil reported revenues of $26.5 million, expenses of $24.5 million, and capital assets $39.7 million.

The Act expects agencies subject to an audit by the Provincial Auditor to co-operate. In our view, the decision by the Conseil not to co-operate with the Provincial Auditor is an interference with an officer of the Legislative Assembly in the execution of his duties as contemplated by section 24 of *The Legislative Assembly and Executive Council Act, 2007*.

The Ministry of Education has told us that it is working with the Conseil to try to resolve this lack of co-operation. However, if the Conseil does not allow our office to fulfill its duties, we will be unable to provide the Legislative Assembly with our assurance as to:

- the adequacy of the Conseil's rules and procedures to safeguard public resources
- its compliance with authorities relating to authorities governing the Conseil's activities relating to financial reporting, safeguarding

public resources, revenue raising, spending, borrowing, and investing

- the reliability of the Conseil's financial statements

In addition, we will be unable to bring to the attention of the Legislative Assembly any matters required by section 12 of the Act. Such matters include incidents of fraud, misuse of public money, and expenditures without authorization.

Better control over grants needed

The Ministry needs to better control approval of major capital grants.

The Ministry's signing authority delegation requires the Deputy Minister or an Assistant Deputy Minister to approve major capital projects over $500,000. We found seven projects over $500,000 that had not received proper approval prior to recording the expense. As a result, major capital grants were not approved in accordance with the Ministry's delegation of authority.

1. **We recommend that the Ministry of Education approve major capital grants in accordance with its signing authority delegation.**

The Ministry subsequently approved the above grants in accordance with its delegation of authority.

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Ministry has not reported its costs of teachers' pensions properly.

The Ministry follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2010 financial statements of the General Revenue Fund[4], we continue to report that Treasury Board does not use Canadian generally accepted accounting principles for the public sector to account for pension costs.

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[4] *Public Accounts 2009-10: Volume 1: Main Financial Statements,* Auditor's Report [on the General Revenue Fund]. pp. 47-48.

As a result for the year ended March 31, 2010, the Ministry understates the amount of teachers' pension and benefits costs reported in its annual report by $300 million (2009 – understated by $310 million) and understates the amount it owes for teachers' pensions by $3.8 billion (2009 – $3.5 billion). We also report this matter in Chapter 8 on the Ministry of Finance.

Implementation of past recommendations needed

In our previous report, we made recommendations noted in the table below. These recommendations remain outstanding.

We continue to make the recommendations contained in Table 2.

Table 2

RECOMMENDATION (INITIAL REPORT)	STATUS PAC	ACTIONS EDUCATION TOOK IN 2009-10	STATUS OF RECOMMENDATION
4-1 the Ministry of Education require all public libraries to prepare their financial statements following the standards as recommended by The Canadian Institute of Chartered Accountants. 2009 Report – Volume 3 Chapter 4	PAC agreed with these recommendations on May 2010.	The Ministry is working with public libraries to meet this recommendation.	**Partially implemented** (as at March 31, 2010).
4-2 the Ministry of Education prepare an information technology strategic plan. 2009 Report – Volume 3 Chapter 4		No progress in the year.	**Not implemented** (as at March 31, 2010).

Teachers' Superannuation Commission

Background

The Teachers' Superannuation Commission (Commission) operates under the authority of *The Teachers Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet. The Saskatchewan Teachers' Federation and the Ministry of

Education each nominate three members and these six members nominate the Commission's Chairperson. The Commission collects pension plan contributions, provides pension benefits, and administers teachers benefit programs as described below.

The Commission administers the Teachers' Superannuation Plan (Plan) established under *The Teachers Superannuation and Disability Benefits Act*. The Plan's members are teachers who commenced service prior to July 1, 1980. The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests members' voluntary contributions.

In 2009-10, the Plan recorded contributions of $8 million from plan members and $63 million from the Minister of Finance. At June 30, 2010, the Plan held total assets over $1.0 billion and had accrued pension benefits of almost $5.1 billion resulting in an unfunded pension liability of $4.1 billion. The Commission's June 30, 2010 Annual Report includes the Plan's financial statements.

The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for the benefit programs. In 2009-10, the Commission received and paid approximately $5 million in Teachers' Disability Plan (Disability) claims and $9.5 million in Teachers' Dental Plan (Dental) claims. For the year ended August 31, 2010 the Commission paid an estimated $4.3 million in Teachers' Group Life Insurance (Group Life) claims. Teachers do not pay for Disability and Dental benefits and pay half of the premiums required for Group Life. The Commission has hired an insurance company to help administer the Dental and Group Life programs.

Human resource plan

Since 2008, we have recommended that the Commission identify its human resource needs and develop strategies to address any competency gaps. PAC agreed with our recommendation in June 2008.

The Commission made little progress in developing a human resource plan. It continued to discuss its human resource needs with the Ministry. The Commission identified and documented the skills and competencies required for two positions when it hired new employees to fill these positions during the year. Management told us the Commission will use this documented process for hiring other employees. However, the Commission has not formally assessed its overall human resource needs and developed strategies required to address any competency gaps. Nor did it have processes to ensure its employees had needed competencies to do assigned tasks. When employees do not have needed competencies, they may hesitate to do assigned tasks or may do them incorrectly.

We continue to recommend that the Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any competency gaps.

Management told us the Commission continues to work with the Ministry and the Public Service Commission to address staffing and establish a human resource plan.

Payments without support

Since 2009, we have recommended that the Commission have adequate support for all payments. PAC agreed with our recommendation in September 2009.

In 2009-10, the Commission began receiving a weekly invoice from the insurance company who administers the Dental program. The weekly invoice lists the dental benefit payments that have cleared the bank (several thousand lines of data). The Commission also receives a monthly benefits paid report and a monthly invoice for administration costs.

The Commission examines a sample of dental claims from the monthly dental benefits report to determine claims paid are valid (e.g., there is an eligible member, the member received service, and the benefit is the correct amount). However, the Commission does not reconcile the weekly invoices to the monthly benefits paid report. Such a reconciliation ensures claims paid and recorded are valid benefit claims.

We continue to recommend that the Teachers' Superannuation Commission have adequate support for dental payments.

Management told us it is working with its information technology consultant to build a database to reconcile the weekly invoices to the monthly dental benefits paid.

Compliance with legislation

Since 2009, we have recommended that the Commission comply with *The Teachers Superannuation and Disability Benefits Act* (Act) for contributions into and payments out of the Teachers' Superannuation Fund (Fund). PAC agreed with our recommendation in September 2009.

The Act does not allow the Fund to receive money to pay disability benefits. The General Revenue Fund is responsible for paying these benefits.

In 2009-10, the Commission continued to receive money from the General Revenue Fund to pay disability benefits. It deposited $5 million into the Fund's bank account and paid disability benefits from this account. The money deposited into the Fund and paid out of it for disability benefits is without authority.

We continue to recommend that the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* for contributions into and payments out of the Teachers' Superannuation Fund.

Management told us it began using the separate bank account to pay disability benefits in July 2010.

Adequacy of insurance agreements

In our 2010 Report – Volume 1, we recommended that the Commission implement adequate processes to establish and monitor agreements with insurance providers.

The Commission does not have adequate written guidance for making and monitoring such agreements. For Dental, the Commission has not outlined the reports it needs to monitor the cost of benefits. As a result, management is not receiving adequate reports to support the payments it makes for Dental benefits.

For Group Life, the agreement with the insurance company does not outline all of the roles and responsibilities of both the Commission and the insurance company. The agreement does not indicate the premium rate for accidental death and dismemberment insurance coverage or set out who is responsible for paying any benefits exceeding the premiums.

Lack of adequate written guidance increases the risk that the Commission may not receive the contracted services and pay incorrect amounts for services received.

We continue to recommend that the Teachers' Superannuation Commission implement adequate processes to establish and monitor agreements with insurance providers.

Management told us the 2010-11 Group Life Insurance Plan and the Dental Plan annual agreements between the Commission and the insurance company will outline the roles and responsibilities of both including the Commission's responsibility for premiums and the reports it requires from the insurance company.

Processes to prepare financial reports

Since 2009, we have recommended that the Commission establish complete and written guidance for preparing interim and year-end financial reports. PAC agreed with our recommendation in September 2009.

During the year, the Commission made progress in establishing written guidance for preparing the Dental and Disability Plans' interim and year-end financial reports. The Commission worked with the insurance company to obtain weekly manual invoices of Dental benefit payments. For the Disability Plan, the Commission had the financial information to prepare accurate financial records. However, it did not prepare any financial statements for the Disability Plan. As of September 2010, the Commission had not yet prepared financial records for the Dental and Disability Plans. Lack of accurate and timely financial records prevented preparation of proper interim and year-end financial reports. Without accurate and timely financial reports, the Commission is at risk of making incorrect decisions.

We continue to recommend that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports.

Management told us that it provides summarized financial information to the Commission members. Management also told us now that the Commission has a separate Disability bank account, and it will begin preparing financial records and financial reports. In addition, management told us it continues to develop processes to prepare financial records for the Dental Plan.

Complete annual report

Since 2008, we have recommended that the Commission's annual report include a report on the activities and the financial statements of each benefit plan the Commission administers. PAC agreed with our recommendation in June 2008.

The Commission's 2009-2010 Annual Report provides additional information about the Dental and Disability Plans. However, the Commission does not provide financial statements for those plans to the Legislative Assembly. Without financial statements, legislators, plan members, and the public cannot assess the plans' performance and the Commission's effectiveness in administering these programs.

We continue to recommend that the Teachers' Superannuation Commission's annual report include the financial statements of each benefit plan the Commission administers.

Management told us it plans to include the financial statements for both the Dental and Disability Plans in the Commission's annual report when it has developed its processes for preparing financial statements. Management also told us that while it develops these processes it will continue to provide information about the Plans' expenses and accrued disability benefits in the Commission's annual reports.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[5]

Table 3

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
1999	CR60. The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Canadian Institute of Chartered Accountants] CICA.	**Partially implemented** (as at March 31, 2010). The Ministry is working with school divisions to meet this recommendation.
2007	PAC concurs: 3-1 that the Department of Learning's human resource plan should: -quantify its human resource needs -provide details on human resource gap between actual and required resources -provide details on plans to implement the major strategies	**Not implemented** (as at March 31, 2010). No progress in the year.
2007	PAC concurs: 3-2 that the Department of Learning should sign a service level agreement with the Information Technology Office.	**Not implemented** (as at March 31, 2010). No progress in the year.
2009	PAC concurs: 16-2 that the Ministry of Education follow its established procedures for user access to its systems and data.	**Not implemented** (as at March 31, 2010). During the audit, we found that the Ministry did not remove network access for 5 employees on a timely basis.
2009	PAC concurs: 5-2 that the Ministry of Education receive and review proper support for the payments made to the Teachers' Superannuation Commission (TSC).	**Partially implemented** (as at March 31, 2010). The Ministry is working with TSC to obtain proper support for payments.

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[5] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 5-4 that the Ministry of Education monitor the effectiveness of the Information Technology Office's (ITO) security controls to protect the Ministry's computer systems and data.	**Partially implemented** (as at March 31, 2010). The Ministry received monthly reports from ITO during the year. The reports include information on ITO activities such as service levels and costs, but little information on the security or availability of its systems. In addition, the Ministry does not receive any information about the adequacy of ITO controls or how the weaknesses at the ITO could affect the Ministry's systems and data.

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Energy and Resources

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Main points

For the year ended March 31, 2010, the Ministry of Energy and Resources (Ministry) had adequate rules and procedures to safeguard public resources; it complied with authorities governing its activities, and the financial statements of its funds are reliable.

The Ministry has implemented our previous recommendations on the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and the Ministry's processes to identify strategic risks.

Introduction

The mandate of the Ministry of Energy and Resources (Ministry) is to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources including oil and gas, potash, and uranium. It has a regulatory role with industry and develops and administers various tax and royalty structures related to resources. It also has a major development and promotional thrust, with programs that encourage exploration, research and value-added investment in resources and resource projects.[1]

The Ministry received $50.3 million from the General Revenue Fund for its programs. Information about the Ministry's revenues and expenses appear in the Ministry's *2009-10 Annual Report* (see www.er.gov.sk.ca). The Ministry's major programs, spending, and revenue include:

Spending

	Original Estimates	Actual
	(in millions of dollars)	
Central Management Services	$ 21.5	$ 16.0
Forestry Development	4.2	3.2
Revenue and Program Services	3.7	3.1
Petroleum and Natural Gas	7.6	7.2
Exploration and Geological Services	6.4	6.2
Resource and Energy Policy	6.9	6.9
	$ 50.3	$ 42.6

Revenues

	Original Estimates	Actual
	(in millions of dollars)	
Oil	$ 573.1	$ 1,294.7
Crown Land Sales	127.8	151.5
Natural Gas	102.2	40.1
Potash	1,926.8	(183.9)
Other Minerals	177.2	132.7
	$ 2,907.1	$ 1,435.0

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[1] Saskatchewan. Ministry of Finance. (2010). *2010-11 Saskatchewan Provincial Budget: Estimates*, Regina: Author. page 51.

Special purpose funds

The Ministry is responsible for managing the following special purpose funds with March year-ends:

Oil and Gas Orphan Fund
Institutional Control Monitoring and Maintenance Fund
Institutional Control Unforeseen Events Fund

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the Ministry had adequate rules and procedures to safeguard public resources**

- **the Ministry complied with authorities governing its activities and activities of its funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **the financial statements of the Ministry's special purpose funds are reliable**

We also followed up on our previous recommendations on the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and the Ministry's processes to identify strategic risks.

Follow-ups

Procedures to verify producers' royalties and taxes

In Chapter 4 of our 2003 Report – Volume 1, we assessed the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and made the following three recommendations:

- We recommended that the Ministry prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due to the Ministry
- We recommended that the Ministry develop and implement a formal training/learning plan for its auditors
- We recommended that the Ministry improve its supervisory practices to ensure that audits are approved and carried out as planned

In June 2004, the Standing Committee on Public Accounts (PAC) agreed with these recommendations.

During 2006-07, we assessed the Ministry's progress to address the recommendations we made in 2003 for verifying producers' royalties and taxes.

We reported in our 2007 Report – Volume 3 that the Ministry had made progress in addressing our recommendations, except it needed to do more to improve its overall audit plan by including the estimated resources required to carry out the plan and its supervisory practices to ensure that audits are approved and carried out as planned.

The Ministry has implemented these two recommendations. It has prepared an overall audit plan including the estimated resources (i.e., budgets) required to carryout the plan. The Ministry improved its supervisory practices to ensure that audits are approved and carried out as planned.

Processes to identify strategic risks

In Chapter 10 of our 2005 Report – Volume 1, we assessed the adequacy of the Ministry's processes to identify strategic risks and made the following recommendations:

- We recommended that the Ministry use systematic processes to detect risks to all its objectives

- We recommended that the Ministry quantify the likelihood and impact of strategic risks to identify priorities

In June 2005, PAC agreed with these recommendations.

During 2006-07, we assessed the Ministry's progress in addressing the recommendations we made in 2005 for identifying its strategic risks. We reported in our 2007 Report – Volume 3 that the Ministry had made good progress identifying its strategic risks, but needed to implement its established processes for identifying and quantifying the specific risks that it faces.

The Ministry has now implemented a systemic process for identifying and quantifying the specific risks that it faces by creating a risk assessment that assesses the likelihood and significance of risks to identify priorities.

Environment

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Main points

The Ministry of Environment (Ministry) has made some progress in addressing our past recommendations. The Ministry continues to need to determine its current and future human resource needs and develop strategies to address any gaps between its current and future workforce.

The Ministry must improve its supervision of staff to ensure they follow the Ministry's policies and procedures for bank reconciliations and payments to terminated employees. As well, the Ministry should establish adequate processes to secure its systems and data including an adequate agreement with the Information Technology Office and a complete business continuity plan.

Introduction

The Ministry of Environment (Ministry) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations.[1] Information about the Ministry is available on its website (www.environment.gov.sk.ca/).

For the year ended March 31, 2010, the Ministry's program costs were $168 million (2009-$173 million) and its net capital acquisitions were $18 million (2009-$22 million). Also, the Ministry had revenue of $49 million (2009-$50 million) from licences and permit fees for fishing, hunting, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Ministry raises revenue and incurs expenses through the Fish and Wildlife Development Fund.

Information about the Ministry's revenues and expenses appear in the Ministry's 2009/10 annual report available on its website. The Ministry's major programs and spending include:

	Original Estimates	Actual
	(Millions of dollars)	
Central Management and Services	$ 17	$ 18
Environmental Protection	41	41
Forest Services	16	15
Fire Management and Forest Protection	102	69
Fish, Wildlife and Biodiversity	10	10
Compliance and Field Services	17	17
Corporate Policy and Planning	21	13
Land	4	3
	$ 228	$ 186

The Ministry is responsible for managing the Fish and Wildlife Development Fund (FWDF).

The Commercial Revolving Fund (CRF) is the responsibility of the Ministry of Tourism, Parks, Culture and Sport. However, the Ministry of Environment is responsible for the day-to-day administration of CRF.

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[1] Section 3 of *The Environmental Management and Protection Act, 2002*.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the Ministry had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **the Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the financial statements of the FWDF are reliable**

Better human resource plan needed

In our 2009 Report – Volume 3, we recommended that the Ministry complete the identification of its human resource needs and develop strategies to address any competency gaps. In June 2010, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

The Ministry has a human resource plan, which links to its strategic plan. The plan outlines its priorities and human resource needs. The plan also identifies key human resource risks and some competency gaps in current resources as well as some strategies and implementation plans to bridge the competency gaps.

The human resource plan identifies the importance of being accountable for the resources the Ministry manages. The Ministry has determined some of its human resource needs and developed some strategies to address its needs. However, it still needs to complete the development of a training and development plan.

We continue to recommend that the Ministry of Environment complete the identification of its human resource needs and develop strategies to address any competency gaps.

Management told us it is in the process of implementing a Change Management and Training Project, as well as a Learning and Development Strategy to address employee learning and development.

Control over bank accounts

Since 2004, we have recommended that the Ministry follow its rules and procedures to reconcile (agree) its recorded bank balances to the bank's records promptly. In January 2005, PAC agreed with our recommendation.

Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper, the Ministry has received all the money, and deposited it in the right bank account.

The Ministry has a written policy to reconcile its recorded bank balances to the bank's records promptly. Its procedures require management to review and approve the reconciliations. The Ministry has a total of 25 bank accounts, one of which is a main bank account. During the year, the Ministry's bank accounts were not always reconciled promptly. For example, staff did not complete the July 2009 main bank reconciliation until October 2009 and the October 2009 main bank reconciliation until February 2010. Annually, the main bank account has about $21 million in deposits and transfers.

We continue to recommend that the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for reconciliation of recorded bank balances to the bank's records promptly.

Management told us that the Ministry has processes in place for reconciling the bank accounts and notes that the majority of bank accounts were reconciled promptly.

Need to follow payroll guidance

Since 2008, we have recommended that the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for preparing amounts owing to terminated employees. In December 2008, PAC agreed with our recommendation.

The Ministry's salaries and wages were approximately $65 million for the year ended March 31, 2010.

Supervisors continued not to submit all staff termination notices to the Public Service Commission prior to calculating final pay. As a result, the Ministry overpaid terminated employees, employees on seasonal layoff, and employees on definite leave of absence by $35,606.

We continue to recommend that the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for preparing amounts owing to terminated employees.

Management told us that it plans to follow the Public Service Commission's manager checklists, including a checklist for terminations, to assist managers in ensuring a timely and accurate termination process.

Adequate service level agreement needed

Since 2008, we have recommended that the Ministry sign an adequate agreement with the Information Technology Office (ITO) for information services. In December 2008, PAC agreed with our recommendation.

The Ministry signed a service level agreement with ITO on April 1, 2008. The agreement, however, does not adequately address disaster recovery and the Ministry's ability to obtain assurance as to the security of its information systems. As a result, the Ministry does not know whether ITO can restore systems and data when needed in the event of a disaster or whether the Ministry's data is secure and appropriately stored.

We continue to recommend that the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services.

The Ministry told us that it continues to work with ITO to communicate the Ministry's requirements and that ITO is actively working to improve its capabilities through action that includes outsourcing of network and data centre services and improvements in its security technologies, policies, and services.

Establish processes to secure data

Since 2008, we have recommended that the Ministry establish adequate processes to secure its systems and data. In December 2008, PAC agreed with our recommendation.

The Ministry needs to ensure it has strong security to protect its information technology (IT) systems and data. Without strong security processes, the Ministry cannot ensure the confidentiality, integrity, and availability of its systems and data. Also, management may not know if it has addressed all the threats and risks to the Ministry's systems and data. An IT plan can help management do so.

The Ministry still does not have adequate security measures over some data. The Ministry uses laptop computers that contain sensitive data. The Ministry has not adequately secured all laptops through measures such as encryption.

The Ministry's internal auditor examined employees' access to computer systems. The auditor found the access required by some employees was improper and lacked a written explanation of the need for their access. The Ministry reviews its employees' access to the Government's central financial system quarterly as directed by the Ministry of Finance. However, the auditor found six instances where access was not cancelled in a reasonable timeframe of one week. The Ministry needs to improve the review of user access to ensure it remains appropriate. For example, two staff no longer employed with the Ministry had access to some computer systems.

The Ministry accepts credit card payment for some fees, such as the Big Game Draw. The Ministry is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. The Ministry has a process to determine whether it complies with these standards. The Ministry has identified several weaknesses that it is correcting. A lack of compliance with the industry security standards increases the risk of unauthorized access to credit card information by others without ready detection. This could lead to a loss of public money, loss of reputation, and loss of the ability to process payments by credit card.

To know that its computer systems and data are secure, the Ministry also needs to monitor whether the security ITO provides is adequate. The Ministry did not ask for or receive adequate information on the security or availability of its systems from ITO for the year ended March 31, 2010.

The Ministry now receives monthly service and user access reports from ITO. The service reports include information on ITO activities such as service levels and costs. The user access reports identify who has access to specific applications. The Ministry has begun to use this information to manage user access. However, as stated above, two individuals who no longer work for the Ministry continued to have access to systems and data. We also found that ITO did not have processes to adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of the Ministry's systems and data. Although the Ministry has taken some steps to address our recommendation, its systems and data remain at risk of inappropriate access.

We continue to recommend that the Ministry of Environment establish adequate processes to secure its systems and data.

Management told us the Ministry continues to address these security concerns, seeking to identify solutions that can be implemented in an effective manner. The Ministry has signed a memorandum of understanding with ITO related to the provision of security-related services and the establishment of appropriate security policies and standards.

Complete business continuity plan

Since 2006, we have recommended that the Ministry prepare a complete business continuity plan. In March 2007, PAC agreed with our recommendation.

The Ministry provides a number of environmental programs and services to the residents of Saskatchewan as part of its mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Ministry is at risk of not being able to deliver its programs and services in a timely manner.

The Ministry made progress on this matter in 2009-10 through the initial completion of a Business Continuity Plan that is awaiting final approval. However, the Ministry has not tested the action plan for responding to critical service disruptions and has not completed its disaster recovery plan for its computer systems. In prior years, it ranked its critical services and began developing procedures for the recovery and restoration of these critical services. The Ministry has now contracted ITO to carry out its information technology services. It still needs to ensure that its agreement with ITO supports its business continuity plan once completed.

We continue to recommend that the Ministry of Environment prepare a complete business continuity plan.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[2]

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Environment (Processes to Regulate Contaminated Sites)		
2009	PAC concurs: 4-1 that the Ministry of Environment establish an adequate system for tracking contaminated sites.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2009	PAC concurs: 4-2 that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.

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[2] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[3] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 4-3 that the Ministry of Environment complete its written guidance for monitoring contaminated sites.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2009	PAC concurs: 4-4 that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
Ministry of Environment (Air Quality)		
2005	PAC concurs: 10-2 that the Department of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2005	PAC concurs: 10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2005	PAC concurs: 10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2005	PAC concurs: 10-5 that the Department of Environment should complete its human resource plan including a plan for employee training to regulate air emissions.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.
2005	PAC concurs: 10-6 that the Department of Environment should establish systems to collect and maintain information to prepare reliable reports.	**Not implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 10-7 that the Department of Environment should improve its internal and external reporting on air emissions.	**Partially implemented** (as at March 31, 2009). We plan to do a follow-up in 2011.

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Main points

The General Revenue Fund financial statements continue to account for pension costs and obligations to and from the Growth and Financial Security Fund inappropriately. Because of this inappropriate accounting, the statements report the net debt and annual surplus inaccurately. If the Government used proper accounting, net debt at March 31, 2010 would be $8.46 billion instead of the recorded net debt of $3.64 billion and the 2009-10 annual deficit would be $173 million instead of the recorded surplus of $425 million. Our audit report on the Fund's financial statements advises readers of these errors.

During 2009-10, Ministry of Finance (Finance) and three of its pension-related agencies made progress in completing their business continuity plans but further work remains. This work includes receiving confirmation from the Information Technology Office that it can meet Finance's disaster recovery and availability requirements. Also, Finance needs to make further improvements in its information technology processes such as following its procedures to remove unneeded user access to its information systems and data promptly.

Public Employees Benefits Agency (PEBA), a part of the Ministry that administers various government pension and benefit plans, needs to follow its policies for the timely review and approval of bank reconciliations and journal entries. It had adequate controls to secure its information technology (IT) systems and data except it needs to:

- periodically review and test the effectiveness of its IT security policies
- comply with its security policy of monitoring software developers' access to its information systems and data
- implement its disaster recovery plan
- implement its approved policies and procedures for making changes to its information technology infrastructure

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Introduction

This chapter sets out the results of our audit of the financial statements of the Government of Saskatchewan along with the results of our audits of the Ministry of Finance (Finance) and its agencies for the year ended March 31, 2010.

Also, it contains the results of our audit of the Public Employees Benefits Agency's (PEBA) central controls to protect its information technology systems and data, and an update of recommendations from our 2008 audit of PEBA's processes to manage service delivery. Finally, it includes the status of related recommendations of the Standing Committee on Public Accounts (PAC).

Background

Treasury Board is responsible for setting accounting policies and approving the Summary Financial Statements and the General Revenue Fund (GRF) financial statements prior to their publication in the Public Accounts – Volume 1. Finance is responsible for the preparation of these statements in accordance with accounting policies set by Treasury Board. In addition, Finance is responsible for setting and using effective controls to permit the preparation of these financial statements.

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- administering and collecting provincial taxes
- arranging government financing, banking, investing, and borrowing
- administering certain public sector pension and benefit plans
- receiving revenues from taxation and transfers
- controlling spending from the General Revenue Fund (GRF)
- maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (called MIDAS Financials)
- providing information, advice, and analysis on:

- government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
- strategic policy development and analysis on matters related to public sector compensation and management or collective bargaining
- financial management and accounting
- annual performance planning, measuring, and reporting processes

Special purpose funds and agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund) provides the Legislative Assembly with audited financial statements; some agencies also provide an annual report.

Year ended March 31
General Revenue Fund
Growth and Financial Security Fund[1]
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan

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[1] This Fund does not prepare financial statements and is not required to do so.

Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

Overview of the Ministry's finances

For the year ended March 31, 2010, Finance administered revenues of $8.0 billion and spent approximately $0.8 billion. Major revenues include:

	Original Estimates	Actual
	(millions of dollars)	
Taxes	$ 4,450.9	$ 4,723.9
Transfers from the Federal Government	1,188.7	1,164.2
Transfers from government entities	760.7	1,209.9
Non-renewable resources	461.8	475.6
Other own-source revenue	328.9	401.5
Total	$ 7,191.0	$ 7,975.1

The following is a list of major programs and spending:

	Original Estimates	Actual
	(millions of dollars)	
Revenue	$ 20.0	$ 19.7
Research and development tax credit	18.0	18.0
Provincial comptroller	9.4	8.4
Central management and services	7.5	6.2
Budget analysis	5.3	4.9
Treasury and debt management	2.9	2.6
Personnel policy secretariat	0.8	0.6
Amortization of capital assets[2]	1.0	0.9
Other	0.1	0.1
	65.0	61.4
Finance – servicing government debt	502.5	480.0
Public service pension and benefits[3]	264.4	278.2
Total spending	$ 831.9	$ 819.6

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[2] Amounts do not include capital asset acquisitions of $280,000 (original estimate) and $38,000 (actual).

[3] Finance determines the estimates for public service pension and benefits using the cash basis of accounting instead of the accrual basis. Using the accrual basis of accounting, the actual expense is $278.2 million-restated from $265.2 million (the cash-based amount reported in Finance's annual report) to include $13.0 million of unrecorded pension costs.

Finance's annual report sets out differences between actual and budgeted revenues and expenses and explains significant differences.

Audit conclusions and findings

To form our opinion on the Public Employees Pension Plan, our Office worked with Meyers Norris Penny LLP, the Plan's appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[4]

In our opinion for the year ended March 31, 2010:

- **the Government's Summary Financial Statements included in the Public Accounts 2009-10 Volume 1 are reliable**
- **the General Revenue Fund's financial statements included in the Public Accounts 2009-10 Volume 1 are reliable except for not recording all amounts owed for pension liabilities and improper recording of transfers between the General Revenue Fund and the Growth and Financial Security Fund**
- **the financial statements of the other above-listed agencies with a March year-end are reliable**
- **Finance and its agencies with a March year-end had adequate rules and procedures to safeguard public resources except for matters reported in this chapter**
- **Finance and its agencies with a March year-end complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for matters reported in this chapter**

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2010, the Government approved, through Orders in Council, spending of

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[4] This report is available on our website at www.auditor.sk.ca/rrd.html.

$134.3 million; the Legislative Assembly later approved these amounts through an appropriation act.

Payroll service agreement needed

Finance does not maintain a current service level agreement (SLA) with Public Service Commission (PSC) that clearly assigns responsibilities for key payroll activities.

PSC provides payroll services to Finance. Finance spends about $23.6 million each year on salaries and benefits.

Finance's SLA with PSC that set out the responsibilities of each party for key payroll activities expired on March 31, 2009. At August 2010, Finance had not extended or renewed its SLA with PSC.

Lack of a current, signed service agreement increases the risk that Finance may not receive the payroll services it needs.

1. **We recommend that the Ministry of Finance maintain a current service level agreement with the Public Service Commission for the provision of payroll services.**

Better information technology processes needed

Finance needs to improve its information technology (IT) processes in the following areas:

- reach agreement with the Information Technology Office (ITO) over IT disaster recovery to meet Finance's requirements
- require reporting from ITO on its adequacy of its security and availability of Finance's computer systems and data
- follow its processes for removing users' access to its computer systems promptly

Since September 2005, Finance has used ITO to provide certain IT services. Finance remains responsible to have adequate policies to support its IT requirements.

Finance's service level agreement (SLA) with ITO sets out the scope, level, and quality of services ITO provides. However, the current SLA does not include adequate provisions for the on-going availability of Finance's key information technology services or disaster recovery processes, expectations, and reporting requirements.

In 2009-10, Finance finalized its business continuity plan (BCP).[5] Finance advised ITO of its disaster recovery and availability requirements. Finance did not receive confirmation from ITO that ITO can provide disaster recovery and availability that would meet the requirements set out in Finance's BCP.

Since our 2006 Report – Volume 3, we have recommended that the Ministry of Finance confirm, in writing, processes ITO uses to address specific IT security and disaster recovery requirements. In March 2007, PAC agreed with our recommendation. We continue to make this recommendation.

In 2009-10, Finance received limited information from ITO about the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available. During 2009-10, Finance received some information verbally. Finance has not formally required ITO to provide this information (e.g., through its SLA with ITO).

Finance relies on its computer systems and data to deliver its programs. Finance needs to know of ITO's control weaknesses[6] (if any) so that it can assess the impact on its computer systems and data and take the necessary steps to mitigate the impact.

2. **We recommend that the Ministry of Finance require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available.**

During 2009-10, Finance did not follow its processes for removing users' access to its computer systems on a timely basis. Finance has adequate processes for removing user access from individuals who no longer work for the Ministry or who have changed roles and do not require such access.

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[5] **Business Continuity Plan** - A plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

[6] Provincial Auditor Saskatchewan 2009 Report – Volume 3 (Chapter 12).

During our audit, we noted ten instances where access was not removed promptly. Finance was not aware of these instances until our audit brought them to its attention. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the Finance's systems and data.

3. **We recommend that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly.**

Implementation of past recommendations needed

In our previous reports, we made recommendations relating to Finance's treasury management. As noted in Exhibit 1, these recommendations remain outstanding. We continue to make the recommendations contained in Exhibit 1.

Exhibit 1 – Summary of previous outstanding recommendations

RECOMMENDATION (INITIAL REPORT)	STATUS PAC	ACTIONS FINANCE TOOK IN 2009-10	STATUS OF RECOMMENDATION
Treasury management			
We recommend that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance. (2009 Report – Volume 1 - Chapter 5)	PAC agreed with these recommendations on September 1, 2009.	Finance researched and considered potential benchmarks for measuring performance. It developed a quarterly report which will communicate more extensive information regarding investment expectations and results to senior management. It expects to provide this report to the Minister and Deputy Minister of Finance starting in 2010-11.	Partially implemented.

RECOMMENDATION (INITIAL REPORT)	STATUS PAC	ACTIONS FINANCE TOOK IN 2009-10	STATUS OF RECOMMENDATION
We recommend the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds. (2009 Report – Volume 1 - Chapter 5)		Finance is researching relevant basis for reporting the performance of the sinking funds publicly.	Not implemented.
We recommend the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover. (2009 Report – Volume 1 - Chapter 5)		Finance developed a manual to assist with the processing of wire payments, identified opportunities to further improve documentation, and made plans to complete the following in 2010-11: ◆ implement a debt system to centralize information associated with debt issues ◆ document procedures relating to Saskatchewan Savings Bonds Finance's other key documentation of its investing and borrowing procedures includes: ◆ a manual that documents the money market investing and short-term debt issuance procedures ◆ a checklist of procedures for issuance of long-term debt	Partially implemented.

General Revenue Fund

Background

The General Revenue Fund (GRF) is a special purpose fund established under *The Financial Administration Act, 1993*. By law, the Government must deposit into the GRF all public money other than those over which the Legislative Assembly has no power of appropriation and those otherwise specifically disposed of by the Legislative Assembly (e.g., revenues of Crown corporations, agencies, other special purpose funds, and revolving funds). The Government must pay out of the GRF expenses and any loans, advances, or investments as permitted or required by a vote of the Legislative Assembly.

Continued use of inappropriate accounting policies

Treasury Board does not use Canadian generally accepted accounting principles for the public sector (GAAP) to account for pension and disability (pension) costs or to record transfers to and from the Growth and Financial Security Fund when preparing the GRF financial statements.

It is important that governments use GAAP to prepare their financial statements. Use of GAAP helps ensure the financial results are presented fairly and free from bias. It is not appropriate for governments to set accounting policies based on their own preferences.

Financial statements should reflect the costs of decisions made during the year. In addition, as the Government uses the GRF's annual surplus as one of its key performance indicators, users should consider the impact of the errors in the GRF financial statements.

Because the Government uses inappropriate accounting policies, the GRF financial statements report net debt and annual surplus inaccurately. If the Government had accounted for all transactions properly, the statements would have recorded net debt of $8.46 billion instead of $3.64 billion at March 31, 2010 and recorded a deficit of $173 million instead of a surplus of $425 million for the year ended March 31, 2010.

Exhibit 2 below sets out, by line item of the affected statement within the GRF financial statements, the amount reported in that statement, the amount that should have been reported in that statement, the difference between these two amounts, and the reason for that difference.

Exhibit 2

Line item on financial statements	Amount reported in statements	Amount that should be reported in statements	Difference Amount reported is: Overstated (too high) Understated (too low)	Reason for difference
Statement of Financial Position				
Total Financial Assets	$3.69 billion	$4.65 billion	$958 million (understated)	Unrecorded "Due from Growth and Financial Security Fund"
Total Liabilities	$7.33 billion	$13.11 billion	$5.78 billion (understated)	Unrecorded pension and a disability plan debt
Net Debt	$3.64 billion	$ 8.46 billion	$4.82 billion (understated)	Net impact of not recording the above amounts
Accumulated Deficit	$546 million	$5.37 billion	$4.82 billion (understated)	Net impact of not recording the above amounts
Statement of Operations				
Total Expense	$10.10 billion	$10.44 billion	$341 million (understated)	Unrecorded pension and a disability plan costs for current year
Transfer to/from the Growth and Financial Security Fund	$257 million	$ ---	$257 million (overstated)	Inappropriately including net transfer as a revenue
Surplus	$425 million	($173 million)	$598 million (overstated)	Net impact of above errors on current year surplus

Because the errors significantly impair the usefulness of these financial statements, we have qualified our auditor's report on the GRF financial statements published in *Public Accounts 2009-10 Volume 1*. "Qualified" audit reports are not normal and should cause concern for legislators and the public. Our audit report advises readers of the errors in the financial statements.

We continue to recommend that the General Revenue Fund's financial statements record pension costs and transfers in accordance with Canadian generally accepted accounting principles for the public sector. In February 2002, PAC disagreed with our recommendation.

Public Employees Benefits Agency and pension plans it administers

Background

The Public Employees Benefits Agency (PEBA) is part of the Ministry of Finance. PEBA administers government pension and benefit plans. This includes the Public Employees Pension Plan (PEPP) and Public Service Superannuation Plan (PSSP). PEBA serves about 79,000 active and inactive (deferred) members, pensioners, and surviving spouses and dependents of these plans.[7]

PEBA recovers its costs to administer the pension and benefit plans by charging the plans based on the costs incurred for each plan. At March 31, 2010, the total assets of these pension and benefit plans are approximately $6.1 billion.

For the year ended March 31, 2010, PEBA incurred $12.6 million in administration costs and recovered those costs from the plans. At March 31, 2010, PEBA held assets of $5.9 million. PEBA's *2009-10 Annual Report* includes the PEBA Revolving Fund's audited financial statements.

The Public Employees Pension Board is responsible for *The Public Employees Pension Plan Act*. The Board manages PEPP, a defined contribution pension plan. Its primary objective is to provide retirement benefits to PEPP members in accordance with the law.

PEPP's *2009-10 Annual Report* included its audited financial statements. These financial statements report contributions of $103 million from employees and $115 million from employers, investment income of $150 million, and an increase in market value of the investments of $585 million. For the year, PEPP incurred administrative expenses of $15 million and made transfers or payments out of PEPP of $112 million. At March 31, 2010, PEPP held assets of $4.4 billion.

The Public Superannuation Board is responsible for the administration of *The Public Service Superannuation Act* and other relevant legislation. The Board manages PSSP, a defined benefit pension plan. PSSP consists of the Public Service Superannuation Fund, the Anti-

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[7] Ministry of Finance. (2010). *2009-10 Annual Report*. Regina: Author p. 40.

Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The Board's primary objective is to provide superannuation allowances to employees who retire and to the dependents of deceased superannuates and employees, in accordance with governing legislation.

In 2009-10, PSSP received contributions of $2 million from employees and $115 million from the General Revenue Fund. At March 31, 2010, the PSSP held assets of $9 million and had liabilities of $1,927 million.

Business continuity plans needed

In our 2009 Report – Volume 3 and past reports, we recommended that PEBA complete a business continuity plan for the pension and benefit plans it administers. In our 2009 Report – Volume 3 and past reports, we made a similar recommendation for the PSSB and PEPP, respectively. PAC agreed with our recommendations. We continue to make these recommendations.

The critical services that PEBA and these Plans provide include receiving and recording contributions from employers and employees, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. PEBA and each of these plans must be able to provide these services even if a disaster disrupts its operations and services. Without an adequate business continuity plan, they may not be able to provide their critical services.

Exhibit 3 below sets out the actions that PEBA and each Plan took in 2009-10 towards completing their business continuity plans.

Exhibit 3

Agency	Actions taken in 2009-10
PEBA	PEBA continued to work on a business continuity plan for its critical services. It had developed a plan, but not tested it. Until PEBA tests its plan, there is a risk that the plan will not meet its business continuity needs.
PEPP	PEPP completed developing a business continuity plan for its critical services. PEPP needs to test the effectiveness of the business continuity plan. Management told us it expects to test its business continuity plan next year.
PSSB	The Board continued to work on completing a business continuity plan for its critical services. It had developed a plan, but not tested it. Until the Board tests its plan, there is a risk that the plan will not meet its business continuity needs.

Need to follow policies for bank reconciliations and journal entries

PEBA has written policies and procedures for preparing, independent reviewing, and approving bank reconciliations and journal entries. Its policies and procedures specify that all reviews and approvals must be completed within 45 days of month end.

Timely reconciliation of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper, and all money received is deposited promptly and to the right bank account. Timely preparation of journal entries ensures that all accounting records are updated and accurately maintained. Review of bank reconciliations and journal entries independent of preparation helps to ensure the work is properly done when expected.

We found that over half of the time, PEBA did not comply with its policies and procedures for reviewing and approving PSSP bank reconciliations and journal entries. For example, PEBA did not perform the independent review and approval of the PSSP December 2009 bank reconciliation and journal entries until March 22, 2010. Also, in other instances there was no evidence of independent review and approval of bank reconciliations and journal entries.

Without following the policies governing the review and approval of bank reconciliations and journal entries, there is increased risk that PEBA may not promptly detect errors and losses in the PSSP's bank balances and accounting records.

4. **We recommend that the Public Employees Benefits Agency follow its policies for the timely review and approval of bank reconciliations and journal entries for the Public Service Superannuation Plan.**

Retired PSSP members' pensions

Since our 2001 Spring Report, we have recommended that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and who return to work for the Government are paid in accordance with *The*

Superannuation (Supplementary Provisions) Act (Act). Alternatively, the Board should seek changes to the Act. In November 2001, PAC agreed with our recommendation. We continue to make this recommendation.

The Board of PSSP needs information about retired PSSP members who are receiving a pension and have returned to work for the Government. The Board needs this information to ensure it pays pensions in accordance with the law.

Requirements for stopping the pensions of retired PSSP members who return to work for the Government are set out in section 27 of the Act. The Act allows retired members to work as temporary, casual, or provisional employees for up to six months in a fiscal year without a reduction in their pensions. The Act requires the PSSP Board to stop the pension of a retired member who works for the Government for more than six months in a fiscal year. The Act also requires the PSSB Board to stop the pension of a retired member that the Government re-hires as a permanent employee when that member starts work.

However, the PSSP Board does not have rules and procedures to know if retired members are working for the Government. It relies on retired PSSP members notifying it upon re-employment with the Government. As a result, the PSSP Board cannot ensure that all pensions it paid comply with the law. Accordingly, we cannot determine if the PSSP Board complied with section 27 of the Act.

Legislative requirements for annual reports are inconsistent – PSSP

In our 2009 Report – Volume 3, we recommended that the Public Service Superannuation Board seek changes to its legislation to remove personal information disclosures required in its annual report by section 69(1) of *The Public Service Superannuation Act*. We continue to make this recommendation.

To be a good accountability document, an annual report should describe the Board's goals, objectives, how it manages its key risks, what it has done, where it is now, and what it plans to do. This information helps stakeholders assess the performance of an organization.

Section 69(1) of *The Public Service Superannuation Act*, requires the PSSP Board to submit an annual report to the minister showing the following:

- all the names of member employees who have retired, who have died during the last preceding fiscal year
- the position and government agency they worked for
- the amount of salary payable and age at retirement or death
- the cause of early retirement
- the amount of superannuation allowances granted to each employee

Generally, pension plans do not provide this type of detailed information about their members in their annual report. This type of detailed and personal information disclosure does not provide useful information to help make the annual report a good public accountability document.

In recent years, for some pension plans, legislative requirements to require disclosure of detailed personal information were removed. We are not aware of the reason for different legislative requirements for the disclosure of information in the PSSP annual report as compared to other Saskatchewan public sector pension plans. The detailed personal disclosure requirements do not help users assess PSSP's actual performance against its planned goals and objectives and are inconsistent with legislative requirements and annual report disclosures of other government pension plans.

Processes to manage service delivery—a follow-up

Background

PEBA has signed service agreements with its major plans including PEPP and MEPP. It must provide its services in accordance with the requirements and targets described in the service agreements. Rigorous service delivery processes at PEBA help promote a clear understanding of roles and responsibilities and maintain effective relationships with the plans.

Managing service delivery—a follow-up

In our 2008 Report – Volume 1, Chapter 5 (p. 67) we concluded that PEBA had adequate processes to manage the delivery of agreed-upon services to the pension and benefit plans except that it needed to explain significant differences between expected and actual results for each specific service standard described in the service agreements. We recommended that PEBA explain significant differences between expected and actual results for each specific service standard described in the service agreements. On August 28, 2008, PAC agreed with our recommendation.

As of August 31, 2010, we determined that PEBA has met our recommendation. PEBA includes explanations in quarterly reports to clients for specific service standards that do not meet expected targets as described in the service agreements.

Information technology security audit

Background

To carry out its responsibilities, PEBA must manage a wide range of pension and benefit information. PEBA uses information technology (IT) systems to manage this information and to provide pension and benefit information to its members. Securing pension and benefit information (ensuring its confidentiality, integrity, and availability) is vital to fulfilling PEBA's objectives including delivering its services and protecting the interests of its members.

Inadequate security could result in loss, inappropriate modification, and unauthorized disclosure of pension and benefit information. Unauthorized changes to the systems and data could compromise the integrity of the pension and benefit plans. Unauthorized disclosure of members' personal information (e.g., name, date of birth, social insurance number) could lead to the theft of their identity for fraudulent purposes.

Audit objective and conclusion

The objective of this audit was to assess whether PEBA had adequate controls to secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data for the period October 1, 2009 to March 31, 2010.

Throughout our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*.

To conduct this audit, we used criteria to assess PEBA's processes. The criteria are based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants and on international standards, literature, and reports of other legislative auditors. PEBA's management agreed with the criteria.

The criteria set out in the Exhibit 4 describe the key processes that we expected PEBA to use to secure its systems and data.

Exhibit 4–Audit criteria

To secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data, we expected PEBA would:

1. **Show management commitment to security**
    - Responsibility for security is clearly defined
    - IT planning supports security
    - Management has approved security policies and procedures
    - Management monitors security
2. **Protect systems and data from unauthorized access**
    - User access controls protect the systems and data from unauthorized access
    - Physical security controls protect against unauthorized access
3. **Keep systems and data available for operation**
    - System and data backups occur and are tested
    - Disaster recovery plans are in place and are tested
4. **Maintain the integrity of systems and data**
    - Change management processes exist and are followed
    - Computer operation processes exist and are followed

We conclude that the Public Employees Benefits Agency had adequate controls to secure (i.e., protect the confidentiality, integrity, and availability of) its information systems and data for the period October 1, 2009 to March 31, 2010 except it needs to:

- **periodically review and test the effectiveness of its IT security policies**
- **comply with its security policy of monitoring software developers' access to its information systems and data**
- **implement its disaster recovery plan**
- **implement its approved policies and procedures for making changes to its information technology infrastructure**

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and our key findings for each criterion together with our recommendations.

Show management commitment to security

Management commitment includes clearly defining security responsibilities and segregating incompatible functions. We expected PEBA would have a member of senior management who leads an information technology division. We also expected PEBA would plan, implement, and monitor compliance with security policies and procedures.

PEBA clearly defines responsibility for security through its organizational structure and written job descriptions. PEBA also prepares an IT strategic plan that complements its strategic plan. In addition, PEBA has approved a number of IT security policies. New employees receive training on the security policies as part of their orientation process. These policies are readily available to staff.

PEBA does not periodically review the effectiveness of its security policies. For example, an annual review of security policies or a review when there are major changes to IT infrastructure or changes in technology helps keep security policies current and complete.

In 2009, PEBA implemented a system for certain pension members to access their pension information via the Internet and initiate changes to their plans. These pension members use unique user names and passwords for this purpose. PEBA does not have a procedure to address the steps that it should take when these accounts become inactive (i.e., have not been used for a long time). Inactive accounts increase the risk of unauthorized access to members' personal information.

PEBA's policies do not require employees to annually acknowledge their awareness of PEBA's security policies and their compliance with them. An annual sign-off of awareness and compliance with security policies is an effective security awareness practice.

5. **We recommend that the Public Employees Benefits Agency periodically review the completeness of its information technology policies.**

PEBA does not periodically test the effectiveness of its IT security. The periodic testing of security using external experts helps management to monitor the adequacy of security. Independent vulnerability assessments and penetration testing can be effective for strengthening security.

6. **We recommend that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security.**

Protect systems and data from unauthorized access

We expected PEBA to have adequate physical access and user access controls to protect its systems and data from unauthorized access.

Good physical access controls protect IT infrastructure from harm. Physical access controls protect computers and network devices from unauthorized access. For example, a locked door helps prevent unauthorized users from entering a server room.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet and automated processes. PEBA needs to protect its data by configuring, updating, and monitoring its systems *against security threats. In addition, it needs to monitor service providers working on their systems.*

PEBA's security policies adequately govern access to its systems and data. These policies require usernames with robust passwords, the authorization and periodic review of all access and the prompt removal of access for terminated employees. The policies also state that passwords should not be shared. This latter requirement is necessary for holding users accountable for the systems and data they access and change. PEBA complies with its policies.

PEBA's security policies adequately govern the access of external software developers (vendors) to its systems and data. Its policies discourage external access by vendors. Each request is to be evaluated on a risk versus benefits basis and access to applications is strictly monitored. Only one vendor has access to a pension plan application and its data but the remote access is ongoing and not monitored by PEBA. As a result, PEBA's confidential data is at increased risk of unauthorized disclosure. PEBA should comply with its policies governing external access by vendors.

PEBA has implemented security infrastructure and software (e.g., firewalls, intrusion detection systems, anti-virus software) to protect its systems and data from unauthorized access. PEBA keeps this infrastructure up to date. It also has implemented adequate physical access controls to protect its data centre.

7. **We recommend that the Public Employees Benefits Agency comply with its security policy of monitoring software developers' access to its information systems and data.**

Keep systems and data available for operation

We expected PEBA to have adequate processes to ensure its systems and data are available for operation when needed.

Even with good backup and recovery procedures, PEBA may not be able to continue its operations if a major problem occurred. Therefore, it should have a contingency plan to recover operations in the event of a disaster like a fire or tornado. Its systems should also have sufficient *capacity so non-catastrophic events like power outages will not cause applications to quit abruptly with the possibility of data loss.*

PEBA has adequate processes for backing up its systems and data. For example, it does timely backups and stores its weekly backups off-site. It can restore specific data when requested. However, it does not always store an updated copy of master passwords for its systems off-site. This oversight could prevent PEBA from restoring its systems and data from the backups in the event of a disaster.

PEBA's IT infrastructure has the capacity to handle many non-catastrophic events. For example, it has a backup power supply (i.e., batteries and generator) to automatically provide power to keep systems running. PEBA depends on its e-mail system to promptly notify IT staff of data centre problems requiring immediate attention. It does not have a back-up monitoring and notification system in the event its e-mail system stops working. When emergencies are not promptly addressed, more serious problems may occur.

PEBA is highly reliant on its information systems to support its business and financial operations. PEBA has identified the need for a disaster recovery plan and business continuity plan. It has developed these plans. The plans are not yet implemented and tested. The lack of an implemented and tested disaster recovery plan increases the risk that PEBA could not restore systems and data in the event of a disaster. We have previously made similar recommendations.[8]

8. We recommend that the Public Employees Benefits Agency implement and test its disaster recovery plan.

Maintain the integrity of systems and data

We expected PEBA to have processes for maintaining the integrity of its systems and data by implementing adequate configuration, update, monitoring, and IT operation processes. Adequate processes require approving and testing system changes before implementation. PEBA

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[8] See business continuity plan recommendations under heading "Public Employees Benefits Agency and pension plans it administers – Business continuity plans needed" and disaster recovery plan recommendation in Exhibit 5.

must also ensure that it has adequate processes for running and maintaining its computers.

Good change management processes help PEBA reduce unintended consequences arising from changes. Change management processes also provide management with the necessary documentation to control and monitor changes.

PEBA follows approved policies and procedures for making changes to its pension and benefit application programs. A quality assurance group, independent of those developing the changes, tests the changes before they are implemented. PEBA, however, has not implemented its approved policies and procedures for making changes to its IT infrastructure.

We describe other findings related to maintaining the integrity of systems and data (e.g., firewalls, virus protection software, etc.) earlier under the heading "Protect systems and data from unauthorized access."

9. **We recommend that the Public Employees Benefits Agency implement its approved policies and procedures for making changes to its information technology infrastructure.**

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Anti-virus software—A program designed to identify and manage (block, segregate, or destroy) malicious software.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Firewall—A piece of hardware or software intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT infrastructure—An organization's computer and network assets.

Intrusion detection system (IDS)—Software and/or hardware designed to detect a security breach by identifying inappropriate access or changes taking place within a computer or network.

Network—A group of computers that communicate with each other.

Penetration test—Evaluating the security of a computer system or network by simulating an attack from a malicious source.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Vulnerability assessment—The process of identifying, evaluating, and prioritizing vulnerabilities (or weaknesses) in a system.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

Exhibit 5 provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[9]

Exhibit 5

PAC REPORT YEAR[10]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Finance (Pension Plans)		
2007	PAC concurs: 5-4 that the Public Employees Pension Plan should document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.	**Not implemented** (as at March 31, 2010).
2007	PAC concurs: 5-2 that the Public Employees Pension Plan should prepare, approve and test a complete disaster recovery plan.	**Partially implemented** (as at March 31, 2010).
2009	PAC concurs: 4-4 that the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan.	**Partially implemented** (as at December 31, 2009).
Ministry of Finance		
2005	PAC concurs: 9-2 that the Government should direct all Treasury Board agencies to use an accountability framework that focuses on results.	**Partially implemented** (as at September 30, 2009). We expect to follow-up this recommendation in 2013.

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[9] For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

[10] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[10]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 9-3 that the Government should require departments and Treasury Board agencies to publish their planned targets for major long-term results.	**Partially implemented** (as at September 30, 2009). We expect to follow-up this recommendation in 2013.
2009	PAC concurs: 9-4 that the Ministry of Finance set the desired outcomes of the provincial sales tax audit selection process in measureable terms.	**Partially implemented** (as at August 31, 2009). We expect to follow-up this recommendation in 2012.
2009	PAC concurs: 9-5 that the Ministry of Finance analyze the risks that businesses are not complying with provincial sales tax laws and rank identified risks according to their potential significance.	**Partially implemented** (as at August 31, 2009). We expect to follow-up this recommendation in 2012.
2009	PAC concurs: 9-6 that the Ministry of Finance document its audit strategy to address identified risks that businesses are not complying with provincial sales tax laws.	**Partially implemented** (as at August 31, 2009). We expect to follow-up this recommendation in 2012.
2009	PAC concurs: 9-7 that the Ministry of Finance direct its audit efforts based on an overall risk analysis of businesses not complying with provincial sales tax laws.	**Partially implemented** (as at August 31, 2009). We expect to follow-up this recommendation in 2012.
2009	PAC concurs: 9-8 that the Ministry of Finance require its senior management to receive reports on the effectiveness of the provincial sales tax audit selection process.	**Partially implemented** (as at August 31, 2009). We expect to follow-up this recommendation in 2012.

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First Nations and Métis Relations

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Main points

The Ministry of First Nations and Métis Relations (Ministry) administers certain aspects of the Agreement (commonly referred to as the Gaming Framework Agreement) between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) over gaming. For the year ended March 31, 2010, the Ministry paid $52.2 million to the First Nation Trust (administered by FSIN). The Gaming Framework Agreement requires this money to be spent for specific purposes. The Ministry is charged with making certain that the First Nations Trust uses this money as the Agreement intends.

The Ministry needs to better monitor spending of the First Nations Trust (Trust). The Ministry has not received from the Trust the independent audit report on whether money received by the Trust has been fully accounted for and properly disposed of, and on whether the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust. Without such a report, the Ministry does not know if the Trust has adequate controls to safeguard public resources.

The Ministry must follow its established processes for its northern economic development loan program so that it properly collects loan repayments and determines which loans are no longer collectible.

Introduction

The mandate of the Ministry is to strengthen relationships between First Nations and non-First Nations peoples in the spirit of the Treaties and ensure that First Nations and Métis peoples are consulted on provincial legislation and policies that may impact their legal rights and interests. The Ministry works with and beside First Nations, Métis and northern peoples, other provincial ministries, the Federal Government, local governments, and businesses to ensure that Saskatchewan's Aboriginal people and northerners have opportunities to participate in and benefit from economic and social development.[1]

The Ministry's website contains its annual reports, other key publications, agreements, and further information about its programs. It is located at www.fnmr.gov.sk.ca.

Related special purpose fund

The Ministry is also responsible for the Métis Development Fund (also called the Clarence Campeau Development Fund). Each year, the Métis Development Fund (Fund) gives the Legislative Assembly its December 31 audited financial statements. These are publicly available at www.finance.gov.sk.ca/public-accounts. We reported the results of our audit of the Fund for the year ended December 31, 2009 in our 2010 Report – Volume 1.

Overview of the Ministry's finances

For the year ended March 31, 2010, the Ministry had revenues of $0.54 million (2009 - $0.31 million). It spent $86.8 million. The following lists its major programs and spending.

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[1] *Saskatchewan Provincial Budget 09-10 Estimates*, Government of Saskatchewan, Vote 25, p. 83.

	Original Estimates[2]	Actual
	(in millions of dollars)	
Central management and services	$ 4.0	$ 3.3
Policy coordination and support for Aboriginal organizations	7.2	3.8
Gaming agreements	68.7	72.2
Treaty land entitlements	4.9	4.4
Northern economic programs and policies	2.4	2.2
Northern industry and resources development	0.9	0.9
	$ 88.1	$ 86.8

The Ministry's 2009-10 annual report explains reasons for significant differences between its planned and actual revenues and expense. The Ministry makes this report available on its website.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the Ministry had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**

Better monitoring of spending by First Nations Trust needed

Since our 2007 Report – Volume 3, we have recommended that the Ministry require the First Nations Trust[3] to submit, each year by an agreed date, an independent audit report. The audit report is on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

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[2] *Ibid, p. 79.*

[3] The First Nations Trust was established by the FSIN to effect the distribution of the money due to First Nations from the profits from Saskatchewan Indian Gaming Authority casinos and Saskatchewan Gaming Corporation casinos.

In December 2008, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Under the 2002 Gaming Framework Agreement (Agreement) between the Government and the Federation of Saskatchewan Indian Nations, the Ministry provides the First Nations Trust with money. The Trust must spend this money only for First Nations and First Nations people for purposes related to the following areas: economic development, social programs, justice initiatives, education and education facilities, senior and youth programs, cultural and spiritual development, the development and maintenance of community infrastructure, health initiatives, governance activities, Treaty protection, and any other charitable purpose.

In 2009-10, the Ministry provided $52.2 million (2008-09 – $51.5 million) to the Trust. The Agreement requires the Trustees to provide the Ministry with certain information each year.[4] The Ministry needs this information to determine whether the money it provided to the First Nations Trust was adequately safeguarded and spent for the purposes intended.

The Ministry received an independent auditor's report from the Trust stating that the money expended was for the purposes set out in the Agreement. However, the Ministry did not receive from the independent auditor of the Trust a report on the adequacy of controls. That is, a report on whether money received by the Trust was fully accounted for and properly disposed of, and the rules and procedures applied were sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

We continue to recommend that the Ministry of First Nations and Métis Relations require the First Nations Trust to submit, each year by an agreed upon date, an independent auditor's report on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

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[4] Required reports include: audited financial statements, audit report on adequacy of control processes and whether money is spent for required purposes, copy of the auditor's management letter along with the Trust's response, and the Trust's annual report.

Employees need to follow established processes

The Ministry did not follow the established policies and procedures for its northern economic development loan programs.

At March 31, 2010, the Ministry had loans receivable of $0.9 million net of $2.0 million provisions for losses.

The Ministry has defined the appropriate monitoring and accounting for the loan programs in its policies and procedures manual. It requires monitoring of outstanding loans and reporting to senior management and a calculation of an allowance for doubtful accounts.

Employees did not update loan files with current information received from clients and did not assess loan accounts for required collection actions. For example, employees did not follow up on all accounts with payments greater than 90 days overdue. They did not determine whether loans with overdue payments should be considered delinquent or impaired.

Senior management did not receive adequate reports on loans during the year. Staff did not prepare for senior management the required status report and loan continuity report. These reports provide information on the status of loans and assist in the decision of which loans are collectible and which should be written off.

1. **We recommend that the Ministry of First Nations and Métis Relations follow its established policies and procedures for its loan programs.**

Management told us the Ministry experienced significant turnover of employees that resulted in policies not being followed. The Ministry has filled the vacant positions and has contracted with a consultant to properly train the new employees on the loans policies and procedures.

Improvements to human resource plan needed

Since our 2007 Report – Volume 3, we have recommended that the Ministry of First Nations and Métis Relations must improve its human resource plan. We recommended that the plan more clearly outline gaps in current resources and provide details on plans to implement strategies to meet human resource needs.

In December 2008, PAC agreed with our recommendation.

The Ministry implemented its human resource plan in May 2009. The plan more clearly outlines gaps in human resources. However, the plan still lacks detail regarding the implementation of identified strategies.

We continue to recommend that the Ministry of First Nations and Métis Relations human resource plan provide details on plans to implement strategies to meet human resource needs (including timeframes, responsibilities, and financial resources).

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Government Services

10

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Main points

The Ministry of Government Services (Ministry) needs to approve construction contracts in accordance with its signing authority delegation. It also needs to properly approve invoices prior to paying suppliers to ensure that payments are reviewed and approved in accordance with *The Financial Administration Act, 1993*. The Ministry needs to sign an adequate agreement on disaster recovery and security with the Information Technology Office and adequately monitor the security of its information technology systems and data.

The Ministry should establish and use policies to monitor fuel purchases made with its credit cards to ensure the purchases are for government purposes. During the year, the Ministry discovered fraudulent use of its fuel credit cards.

The Ministry has more work to do to address our 2008 recommendations on its processes to maintain its vehicle fleet. The Ministry made progress on developing its business continuity plan.

Introduction

The mandate of the Ministry of Government Services (Ministry) is to support government program delivery by providing accommodation and property management, transportation services, purchasing, risk management, records management, telecommunications, and mail distribution.[1]

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2010:

	Original Estimates[2]	Actual
	(in thousands of dollars)	
Central Management and Services	$ 44	$ 44
Accommodation Services	10,466	6,764
Project Management	1,376	474
Purchasing	1,942	1,618
Transportation Services	--	5,405
Government Support Services	406	381
P3 Secretariat	650	529
	14,884	15,215
Commercial operations[3]	--	82,030
Total Expense	14,884	97,245[4]
Capital acquisitions[5]	27,363	23,042
	$ 42,247	$ 120,287

The Ministry manages a significant amount of infrastructure and assets (e.g., buildings, vehicles) for the Government. At March 31, 2010, the Ministry held capital assets totalling $437 million.

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[1] *Ministry of Government Services 2009-2010 Annual Report*, p. 6.

[2] *Saskatchewan Provincial Budget 09-10 Estimates* – Government Services Vote 13: Government of Saskatchewan.

[3] Commercial operations are not included in appropriations and are on a cost-recovery basis.

[4] In 2009-10, the Ministry had expenses of $97.2 million net of recoveries of $165.8 million from other ministries, including $31.4 million of amortization of capital assets. Amortization is not included in appropriations.

[5] Amounts reflect estimated and actual spending.

Information about the Ministry's revenues and expenses appears in its annual report (www.gs.gov.sk.ca).

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the Ministry had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **the Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**

In this chapter, we also report the results of our follow-up work on the Ministry's processes to maintain its vehicle fleet, as well as an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC) that the Ministry has not yet implemented and are not discussed in this chapter.

Follow delegation of authority for construction contracts and payments

The Ministry did not follow its processes for the approval of construction contracts and payments.

The Ministry's signing authority delegation requires invoices for payments on contracts be approved prior to payment and senior management to approve construction contracts over $1 million. This delegation is consistent with the payment approval requirements of *The Financial Administration Act, 1993.*

During 2009-10, we found that the Ministry did not always determine if the amounts paid to suppliers were correct (i.e., did not agree invoices from suppliers to support) prior to payment. The Ministry's internal audit found many instances where the Ministry paid suppliers prior to invoices being approved for payment. Also, we found nine construction contracts that had not received proper approval including two contracts for over $10 million.

These weaknesses increase the risk that the Ministry may enter into unfavourable contracts and pay suppliers incorrect amounts. Also, paying suppliers prior to approving invoices for payment is not accordance with *The Financial Administration Act, 1993.*

1. **We recommend that the Ministry of Government Services approve construction contracts in accordance with its signing authority delegation.**

2. **We recommend that the Ministry of Government Services review and approve invoices prior to paying suppliers in accordance with *The Financial Administration Act, 1993.***

Better information technology processes needed

The Ministry did not properly protect its information technology (IT) systems and data in two areas.

In December 2009, the Ministry and the Information Technology Office (ITO) signed a service level agreement. The agreement sets out roles and responsibilities of both the Ministry and ITO. It identifies some of the Ministry's security and availability requirements and sets out the scope, level, and quality of services ITO is to provide the Ministry. The agreement does not include the following:

- the security policies and procedures that the Ministry's employees must follow
- requirements for reports from ITO on the adequacy of ITO's security
- adequate provisions for the on-going availability of the Ministry's key information technology services or disaster recovery processes, expectations, and reporting requirements

3. **We recommend that the Ministry of Government Services sign an adequate agreement on disaster recovery and security with the Information Technology Office.**

The Ministry did not have adequate processes to monitor the security of its IT systems. Because the Ministry uses ITO as a custodian for its computer systems and data, the Ministry needs to monitor and assess the security provided by ITO to know that its computer systems and data are secure. The Ministry did not ask for or receive adequate information about security from ITO.

In 2009-10, the Ministry received monthly reports from ITO. The reports included information on ITO's activities such as service levels and costs, but the reports included little information on the security or availability of its systems. Also, the Ministry did not receive any information about the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's systems and data. Nor did the Ministry know if ITO could meet the Ministry's disaster recovery needs.

Although the Ministry has processes for removing promptly user access from individuals who no longer work for the Ministry, it did not follow them in 2009-10. If former employees do not have access removed promptly, it increases the risk of inappropriate access to the Ministry's systems and data.

As a result of these weaknesses, the Ministry's systems and data are at risk of inappropriate access. Also, because of the lack of adequate information from ITO about security, the Ministry was not adequately aware of risks to its systems and data.

4. **We recommend that the Ministry of Government Services adequately monitor the security of its information technology systems and data.**

Better monitoring of fuel expense needed

In our 2008 Report – Volume 3, we recommended the Ministry establish and use policies to monitor fuel purchases made with its credit cards to ensure fuel purchases are for government purposes. In December 2008, PAC agreed with our recommendation.

The Ministry has a fleet of approximately 5,000 vehicles. The cost of fuel is the largest operating expense for its fleet. As previously reported, the Ministry does not have adequate policies and procedures to systematically monitor that fuel purchases were for government purposes. Without adequate policies and procedures for controlling fuel purchases, the Ministry is at risk of spending public money for unauthorized purchases.

In 2009-10, the Ministry has implemented some procedures and is in the process of replacing its vehicle fleet management and credit card systems. The Ministry told us that this should allow it to adequately monitor fuel expenses.

Also during the year, the Ministry discovered $12,000 in fraudulent use of fuel credit cards.[6] The Ministry has cancelled the fuel credit cards and referred the matter to the police for investigation.

We continue to recommend that the Ministry of Government Services establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.

Business continuity plan needed

In our 2007 Report – Volume 3, we recommended the Ministry have a complete business continuity plan (BCP).[7] In June 2008, PAC agreed with our recommendation.

The Ministry must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. An adequate BCP must be written, approved, and tested to help ensure that the Ministry can continue to deliver its programs and services in the event of a disaster. Without an adequate BCP, the Ministry is at risk of not being able to deliver its programs and services in a timely manner.

During 2009-10, the Ministry continued to develop its BCP. It completed a business impact analysis and prioritized its critical business functions. The Ministry developed and approved BCPs for its ten most critical business functions. At March 31, 2010, four of those plans were not tested. Also, as noted above, the Ministry does not have an adequate agreement with ITO to ensure that the Ministry's critical IT systems can be recovered on a timely basis in the event of a disaster.

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[6] Losses of Public Money, 2009-10 Third Quarter Report, Losses Reported by Ministries and Treasury Board Crowns for the Period October 1, 2009 to December 31, 2009.

[7] Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

We continue to recommend that the Ministry of Government Services have a complete business continuity plan.

Processes to maintain its vehicle fleet—a follow-up

In 2007, we assessed the Ministry's processes to maintain its vehicle fleet. Our 2008 Report – Volume 1, Chapter 6 (pp. 71-78) concluded the Ministry did not have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner. We made three recommendations. On June 16, 2008, PAC agreed with our recommendations.

The following sections set out the recommendations (in italics) and the Ministry's actions up to September 30, 2010. We found that the Ministry still has work to do to meet our recommendations.

Processes to ensure vehicle fleet meets the safety standards of *The Traffic Safety Act*

We recommended that the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of The Traffic Safety Act.

In April 2008, the Ministry implemented a requirement that all vehicles in its fleet must have semi-annual safety inspections. The Ministry created an interim electronic database that tracks information on vehicles inspected and vehicles overdue for an inspection; however, reports from this system are not accurate (i.e., they overstate the number of vehicles requiring inspection). The Ministry has not been ensuring that timely safety inspections occur across government.

The Ministry has successfully piloted an internal process to follow up on delinquent inspections. Management told us that it plans to use this process for all of its vehicles across government starting in October 2010.

Management told us that it is implementing a new fleet management system that will provide timely, complete, and transparent vehicle maintenance tracking, planning, and reporting. It has scheduled the new system for implementation in February 2011. The new system will replace the interim electronic database currently used to track inspections.

Reliable maintenance and repairs records

We recommended that the Ministry of Government Services keep reliable maintenance and repair records for its vehicles.

In September 2008, the Ministry implemented an electronic repair authorization process. It also transferred the responsibility for coding of authorized repair expenses from administrative employees to employees with technical expertise.

As indicated above, the Ministry told us that it is implementing a new fleet management system that will provide timely, complete, and transparent vehicle maintenance tracking, planning, and reporting.

Reports to senior management

We recommended that the senior management of the Ministry of Government Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner.

As indicated above, the Ministry has not been verifying that timely safety inspections of vehicles occur across government. Management told us that effective October 2010 it will initiate a process to ensure that vehicles receive timely safety inspections.

The Ministry told us that when it starts using the new fleet management system in February 2011, it will be able to provide senior management with appropriate reporting with respect to vehicle safety and the cost-effectiveness of repairs.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[8]

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Government Services (Cross-Government Infrastructure)		
2005	PAC concurs: 12-3 that the Saskatchewan Property Management Corporation should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its cperational and financial plans, and explain significant differences between actual and planned results.	**Partially Implemented** (as at March 31, 2010).

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[8] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Main points

The Ministry of Health (Ministry) needs to follow its processes to prepare accurate financial information. It should also collect information from the agencies it oversees relating to any losses of public money over $500 and report that information to the Standing Committee on Public Accounts.

The Ministry continues to make progress to address our past recommendations, but more work remains. The Ministry's Health Information Solution Centre needs to have a complete and tested disaster recovery plan and the Saskatchewan Cancer Agency needs to have complete information technology processes to safeguard assets, manage incidents, and ensure the availability of its systems and data.

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Introduction

The Ministry of Health (Ministry) oversees the provincial health care system. It is responsible to establish policy direction, set and monitor standards, provide funding, support the regional health authorities (RHAs) and other agencies, and ensure the provision of essential and appropriate services. The Ministry works with RHAs, Saskatchewan Cancer Agency, and other stakeholders to recruit and retain health care providers, including nurses and physicians. The Ministry also regulates the delivery of health care.[1]

Government spending on health

The table below shows health sector costs by program totalling $4.5 billion for the year ended March 31, 2010. The costs in the table do not include health services paid directly by the Government of Canada, nor the costs that individuals and private sector organizations pay directly for health services.

Total Health Sector Costs by Program for the years ended March 31
(in millions of dollars)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Acute Services	$ 1,713	$ 1,546	$ 1,460	$ 1,293	$ 1,259	$ 1,169	$ 1,063	$ 963	$ 900	$ 824
Supportive care services	852	755	716	673	634	585	554	512	507	482
Medical services and education	685	639	590	585	533	496	455	446	421	401
Community care services	450	407	364	329	314	286	277	305	276	252
Prescription drugs	338	316	294	246	229	212	194	173	156	141
Provincial health services	299	272	234	205	190	175	162	144	136	122
Central Support Services	78	49	53	49	50	44	46	23	21	16
Other	128	69	12	24	52	22	44	44	60	43
Timing Differences*	(23)	(24)	(72)	(59)	(39)	(45)	(50)	(52)	(53)	(58)
Total costs**	$ 4,520	$ 4,029	$ 3,651	$ 3,345	$ 3,222	$ 2,944	$ 2,745	$ 2,558	$ 2,424	$ 2,223

Source: *Public Accounts 2009-10: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2010 financial statements of the RHAs and other Crown agencies.

*Timing differences represent the recognition of revenues and expenses at different times by Health entities.

**The total cost equals the health expense reflected in the Government's summary financial statements for each year.

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[1] Ministry of Health, *2009-10 Annual Report.*

For the year ended March 31, 2010, the Ministry received $3.9 billion from the General Revenue Fund and spent this money on its programs. Total health sector revenues were $4.3 billion for the year. The Ministry's annual report contains information about the Ministry's expenses (annual report is available at www.health.gov.sk.ca/).

Crown agencies

The Ministry is responsible for the following Crown agencies:

Year-end March 31
Twelve Regional Health Authorities[2]
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Physician Recruitment Agency of Saskatchewan
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Agency
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors

Year-end December 31
SAHO, Disability Income Plan – C.U.P.E.
SAHO, Disability Income Plan – S.E.I.U.
SAHO, Disability Income Plan – S.U.N.
SAHO, Disability Income Plan – General
SAHO, Core Dental Plan
SAHO, In-Scope Extended Health/Enhanced Dental Plan
SAHO, Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO, Group Life Insurance Plan
SAHO, Master Trust Combined Investment Fund

Audit conclusions and findings

We have completed the audits of the Ministry and its Crown agencies listed above for the year ended on or before March 31, 2010. Our audit opinions below exclude the results of our audits of the 12 regional health authorities. We report results of those audits in Chapter 11B.

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[2] The twelve RHAs are listed in Chapter 11B.

In our opinion, for the year ended March 31, 2010:

- **the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **the Ministry and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**

- **the financial statements of the agencies listed above are reliable**

Later in this chapter, we report the results of our follow-up work to assess the progress the Ministry has made to address our past recommendations relating to:

- resource allocations
- processes to reduce workplace injuries in health sector
- health sector resource planning
- processes to safeguard public money given to the Métis Addictions Council of Saskatchewan
- processes to protect the confidentiality, integrity, and availability of client information technology systems and data

This chapter also provides an update on the Standing Committee on Public Accounts' past recommendations that the Ministry has not yet implemented and are not discussed in this chapter.

Preparation of accurate financial information

The Ministry needs to follow its processes to prepare accurate financial information.

The Ministry has established adequate processes to prepare accurate financial information for management purposes. It is also required to use the accounting policies included in the *Financial Administration Manual* (FAM) prepared by the Ministry of Finance. However, the Ministry's staff did not always follow the accounting processes and policies described in the Ministry's own manuals and FAM.

For example, the Ministry staff did not record the unused pandemic supplies inventory worth $4.7 million in the Ministry's financial information at year-end. Also, staff recorded grant expenses totalling $11.2 million for capital grants that the Ministry had not authorized. Under FAM, the Ministry must record grant expenses when grants are authorized and the recipients have met the eligibility requirements.

Non-compliance with established accounting processes result in incorrect financial information. Incorrect financial information could result in incorrect financial decisions.

1. **We recommend that the Ministry of Health follow its established accounting processes including the *Financial Administration Manual* to prepare periodic and annual financial information.**

Reporting of losses of money and property

The Ministry needs to report to the Standing Committee on Public Accounts (PAC) losses of money and property over $500 due to frauds or similar illegal acts at the regional health authorities (RHAs) and the Saskatchewan Cancer Agency (SCA).

Under FAM, all government ministries and certain public agencies must report losses of money and property over $500 to the Ministry of Finance. The Ministry of Finance collects this information and reports quarterly to PAC any instances of losses over $500. Crown Investments Corporation of Saskatchewan collects similar information from all of the corporations it owns and makes quarterly reports to the Standing Committee on Crown and Central Agencies.

The Ministry controls and regulates RHAs and SCA. RHAs and SCA manage public money just like ministries and Crown corporations. Under *The Regional Health Services Act* and *The Cancer Agency Act*, FAM does not apply to the RHAs and SCA.

The Ministry reports losses of public money to the Ministry of Finance. However, the Ministry does not collect such information from RHAs and SCA for reporting to PAC. RHAs and SCA are not required to report, but we think they should. The Ministry should require RHAs and SCA to follow the same reporting rules as other agencies handling public money.

In Chapter 11B, we report that during the year ended March 31, 2010, RHAs had instances of loss of public money totalling $18,588.

2. **We recommend that the Ministry of Health require regional health authorities and the Saskatchewan Cancer Agency to report to the Ministry all losses of money and property over $500 that are due to fraud or similar illegal acts.**

3. **We recommend that the Ministry of Health report quarterly to the Standing Committee on Public Accounts all instances of losses of money and property over $500 at the regional health authorities and the Saskatchewan Cancer Agency.**

Monitoring performance

Since 2007, we have recommended that the Ministry obtain timely and complete performance information from health agencies and review the information to ensure that public money is used for the intended purposes. In January 2008, PAC agreed with our recommendation.

The Ministry makes annual service agreements with health agencies to deliver health related services on its behalf. Under those service agreements, agencies must provide to the Ministry certain information (e.g., quarterly and annual financial reports comparing actual expenses to budget and explanations of differences, quarterly operational performance reports) on specified dates. Without this information, the Ministry would not know if the health agencies used the money the Ministry gave them for the intended purposes. In 2009-10, the Ministry paid about $235 million to health agencies.

The Ministry does not have a process to ensure that all health agencies provide timely reports as the service agreements require. Nor does it have a process to ensure it reviews those reports in a timely manner.

During the year, most of the health agencies that provided information did not do so on time. Delays in receiving the required reports increase the risk that the Ministry may not be able to take timely corrective action when needed.

We continue to recommend that the Ministry of Health:

- obtain timely and complete performance information from health agencies
- review the information to ensure that public money is used for the intended purposes

Control of capital assets

Since 2002, we have recommended that the Ministry of Health develop a capital asset plan to help ensure it can carry out its strategic plan. In June 2004, PAC agreed with our recommendation.

The Ministry does not have a capital asset plan. Lack of a capital asset plan increases the risk that the Ministry may not have the capital assets it needs to deliver the services citizens require or have idle capital assets that it could use at some other location. The Ministry uses over $1.2 billion of capital assets (buildings and equipment) to deliver health care.

The Ministry has identified the development of a 10-year capital plan as a key action in its plan for 2009-10. It has also identified it as an action in its 2010-11 plan.

We continue to recommend that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.

Collection of overpaid salary

Since 2006, we have recommended that the Ministry of Health and the Regional Health Authorities collect the overpayments resulting from the reconsideration of joint job evaluations. In June 2007, PAC agreed with our recommendation.

At March 31, 2006, the RHAs had overpaid about $4 million for wages because of the average downward impact of the reconsideration appeal process on job evaluations. The Ministry and RHAs began to collect the overpayments. However, a ruling in October 2006 from the Labour Relations Board disallowed the collection process and RHAs returned the overpayments to the employees.

On August 13, 2010, the Saskatchewan Association of Health Organizations, on behalf of the Ministry and RHAs, signed a memorandum of agreement (MOA) with health care service provider unions.[3] The MOA forgave the overpayments described above.

Business continuity planning

Since 2005, we have recommended that the Ministry of Health prepare a complete business continuity plan. In March 2006, PAC agreed with our recommendation.

The Ministry does not have a complete written, tested, and approved business continuity plan (BCP).[4] The Ministry has documented risks and key services that need to be provided during a disaster or emergency. Such an assessment, however, does not ensure that the Ministry would have the capacity and capability to deliver the necessary services in the time required. The Ministry needs to prepare a complete BCP and test that plan to ensure its effectiveness.

We continue to recommend that the Ministry of Health prepare a complete business continuity plan.

Human resource planning

Since 2006, we have recommended that the Ministry of Health revise its human resource plan to quantify its human resources needs and provide measurable indicators and targets for all strategies. In June 2007, PAC agreed with our recommendation.

The Ministry has not revised its human resource plan to address our recommendation.

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[3] Health care service provider unions are the Canadian Union of Public Employees, Service Employees International Union and Saskatchewan Government and General Employees' Union.

[4] **Business Continuity Plan** (BCP)—Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

We continue to recommend that the Ministry of Health revise its human resource plan to:

- quantify its human resources needs
- provide measurable indicators and targets for all strategies

Saskatchewan Cancer Agency

Background

The Saskatchewan Cancer Agency (SCA) is responsible for the planning, organization, delivery and evaluation of cancer care services throughout Saskatchewan in collaboration with regional health authorities and health care organizations.[5] SCA operates treatment centres in Regina and Saskatoon.

In 2010, SCA had operating revenues of $102.9 million, operating expenses of $103.5 million, and held assets of $49.4 million at the year-end. SCA's financial statements are included in its *2009/10 Annual Report.*

Better information technology processes

In 2005, we recommended that the Saskatchewan Cancer Agency strengthen the preparation, approval, and implementation of information technology (IT) processes for its information systems that are based on a formal threat and risk assessment. In March 2006, PAC agreed with our recommendation.

SCA has identified the policies and procedures it needs to protect its systems and data. It continues to strengthen its processes for its IT systems and has developed some policies and procedures. However, more work remains. SCA needs to establish and implement complete policies and procedures for safeguarding IT assets, managing incidents, and ensuring the availability of its systems and data.

We continue to recommend that the Saskatchewan Cancer Agency strengthen the preparation, approval, and implementation of information technology (IT) processes for its information systems that are based on a formal threat and risk assessment.

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[5] Saskatchewan Cancer Agency, *2009/10 Annual Report.*

Management told us that SCA is actively working to complete and implement adequate IT policies and procedures by May 31, 2011.

Information technology security—a follow-up

In 2008, we assessed SCA's processes to secure its information technology systems and data. Our 2008 Report – Volume 3 describes our work, findings, and recommendations. In 2009, PAC agreed with our recommendations.

We did follow-up work to assess SCA's progress up to July 23, 2010 towards addressing our recommendations. We describe below our recommendations (in italics) and what SCA has done to implement them.

We recommend that the Saskatchewan Cancer Agency:

- *monitor its information technology service provider to ensure its systems and data are adequately protected*
- *follow its policies for accessing computer systems and data*
- *adequately protect its wireless computer systems against unauthorized access*
- *protect its computer systems and data by updating (patching) its computers against known security weaknesses*
- *protect its information technology systems and data by adequately monitoring its systems and data for security threats*
- *adequately test its disaster recovery plan*

SCA has fully met our recommendations.

SCA meets with its service provider monthly to discuss security and availability issues. SCA also implemented processes to monitor key security equipment directly. For example, SCA monitors its firewalls regularly.

SCA follows its processes for granting and removing user access and effectively manages contractors' access to its systems and data. Its password standards are adequate.

SCA implemented a new wireless system. The new wireless system uses current technology to encrypt data.

SCA regularly updates its computers against known security risks. Its key servers have all required security updates (patches) installed. Patching computers regularly prevents unauthorized users from exploiting known vulnerabilities.

SCA monitors its network on a daily basis. It now follows up on security threats or potential attacks and has implemented adequate processes to identify potential inappropriate activities on its network.

SCA performed three disaster recovery tests on key systems during the past year. It should develop policies and procedures outlining the nature and extent of required testing including the frequency of those tests.

Resource allocation—a follow-up

In 1997-98, we audited the Ministry's resource allocation process and made two recommendations to help the Ministry improve its processes. Our 1999 Fall Report – Volume 2 describes our work, findings, and recommendations. In 2002, PAC agreed with our recommendations.

Since our first report in 1999, we have done a follow-up twice (in 2001 and 2006) to assess the Ministry's progress to address our recommendations. Our past follow-up concluded that the Ministry needs to do more to fully address our recommendations. We reported the results of our follow-up in our earlier reports.[6]

We did a third follow-up to assess the Ministry's progress up to September 30, 2010 towards addressing our past recommendations. We describe below our recommendations (in italics) and what the Ministry has done to implement them.

We recommended that the Ministry of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province and health status objectives for the long-term (e.g. 10 years or more) for the highest priority provincial health needs.

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[6] *2001 Fall Report – Volume 2 and 2006 Report – Volume 3.*

The Ministry has a process to involve stakeholders and experts when determining the priority health needs and health status objectives for the province. The Ministry released the *Patient First Review Commissioner's Report* in the fall of 2009. The *Patient First Review* involved stakeholders throughout the province. The Ministry has developed strategic and operational direction for the health sector, aligning the recommendations in the *Patient First Review* with the Ministry's health system goals and strategies.

The Ministry has fully addressed this recommendation.

We recommended that the Ministry of Health monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.

The Ministry has developed performance measures for monitoring service delivery and health status objectives. It has set targets for achieving its service delivery objectives. For example, for its service delivery goal to achieve timely access to evidence-based and quality health services and supports, the Ministry will measure the length of time patients wait for surgery or MRI/CT scans.[7] It has also set some health status objectives, measures, and targets.

The Ministry has set annual and long-term goals. It has allocated resources to RHAs and the Saskatchewan Cancer Agency (SCA) to implement initiatives that will address these objectives.

The Ministry has directed service deliverers (e.g., the RHAs, SCA) to report progress on the initiatives. Management told us the Ministry plans to report on its initiatives. We will assess the Ministry's future reports.

We continue to recommend that the Ministry of Health monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.

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[7] MRI – Magnetic Resonance Imaging; CT scan – Computed Tomography scan.

Reducing workplace injuries—a follow-up

In 2008, we did a third follow-up to assess the progress of the two regional health authorities (Saskatoon and Regina Qu'Appelle) in addressing our past recommendation for reducing injuries to health care staff. Because the Ministry decides what resources RHAs need to reduce injuries to workers, we examined the Ministry's oversight processes for reducing injuries to health care workers. We made one recommendation to help the Ministry improve its oversight processes. Our 2008 Report – Volume 3 describes our above follow-up work, and our recommendation. In 2009, PAC agreed with our recommendation.

In September 2010, we did follow-up work to assess the Ministry's progress towards addressing our past recommendation. We describe below our recommendation (in italics) and what the Ministry has done to implement it.

We recommended that the Ministry of Health set long-term, provincial targets to reduce the rate and severity of health-sector workplace injuries.

The Ministry has now developed individual targets for all RHAs and SCA. In 2010-11, those targets are expected to result in overall provincial targets of an 8% reduction in the number of Workers' Compensation Board (WCB) time-lost injury claims (rate/frequency of injuries) and an 8% reduction in the number of WCB time-lost days (severity of injuries) in 2010-11.

Further, the Ministry requires each RHA and SCA to develop and submit its approved strategy for the reduction of injuries in the workplace to the Ministry in the fall of 2010.

The Ministry has fully addressed this recommendation.

Health sector human resources—a follow-up

In 2005-06, we examined the Ministry's Workforce Action Plan and related documents to assess if they contained the key elements of a sound human resource plan. We made two recommendations to help the Ministry improve its plan. Our 2006 Report – Volume 1 describes our work, findings, and recommendations. In 2007, PAC agreed with our recommendations.

We did follow-up work to assess the Ministry's progress up to September 5, 2010 towards addressing our past recommendations. We describe below our recommendations (in italics) and what the Ministry has done to implement them.

We recommended that the Ministry of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.

We recommended that the Ministry of Health should present information on succession planning and development strategies for its current workforce in its health sector human resource plan.

As at September 5, 2010, the Ministry had not developed a new health sector human resource plan.

Management told us that the Ministry has identified the development of a ten-year comprehensive health sector human resource plan as a key action in its 2010-11 Plan. The Ministry expects to release the plan in the spring of 2011.

We continue to recommend that the Ministry of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.

We continue to recommend that the Ministry of Health should present information on succession planning and development strategies for its current workforce in its health sector human resource plan.

Saskatchewan Prescription Drug Plan—a follow-up

In 2004-05, we audited the Ministry's procedures to monitor prescription drug use and make timely reports of the Saskatchewan Prescription Drug Plan's performance. We made two recommendations to help the Ministry improve its procedures. Our 2005 Report – Volume 1 describes our work, findings, and recommendations. In 2005, PAC agreed with our recommendations.

We did the first follow-up in 2006 to assess the Ministry's progress to address our past recommendations. We concluded that the Ministry has begun to address these matters but more work was needed.

In October 2010, we did a second follow-up to assess the Ministry's progress towards addressing our past recommendations. We describe below our recommendations (in italics) and what the Ministry has done to implement them.

We recommended that the Ministry of Health develop a plan to monitor and evaluate drug use in the population.

The Ministry has now developed and implemented an adequate plan to monitor and evaluate prescription drug use in the population. The Ministry has fully addressed this recommendation.

We recommended that the Ministry of Health set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.

Although the Ministry has developed a plan to monitor and evaluate prescription drug use, it has not yet developed performance measures.

Management told us the Ministry plans to evaluate and report on the Prescription Drug Plan's performance in the Drug Plan Annual Statistical Report beginning in the fall of 2010. We will assess the Ministry's future reports.

We continue to recommend that the Ministry of Health set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.

Métis Addictions Council of Saskatchewan Inc.—a follow-up

In 2004, we examined the governance and management processes of the Board of Directors of the Métis Addictions Council of Saskatchewan Inc. (MACSI) to ensure public money was protected and spent only for intended purposes. We made eight recommendations to the Board of Directors of MACSI to help improve its processes.

We also examined the Ministry's oversight processes to ensure MACSI properly protected public money and spent it prudently and for intended purposes. We made four recommendations for the Ministry to help improve its oversight of MACSI and other third party agencies delivering health services.

Our 2004 Report – Volume 3 describes our work, findings, and recommendations. In 2005, PAC agreed with our recommendations.

We did our first follow-up in 2006 to assess the progress of both MACSI and the Ministry to address our recommendations. We concluded that MACSI had met all our recommendations except for the two described below. We also concluded that the Ministry has fully addressed all our past recommendations except that it needs to ensure MACSI implement all our recommendations.

In October 2010, we did a second follow-up to assess the progress of both MACSI and the Ministry towards addressing our remaining recommendations.

Governance and management

We describe below our recommendations (in italics) and what MACSI has done to implement them.

We recommended that the Board of Directors should establish a long-term strategic plan for the Métis Addictions Council of Saskatchewan Inc.

MACSI has now developed and approved a long-term strategic plan. Management of the Ministry told us MACSI will begin to implement it immediately. MACSI has fully addressed this recommendation.

We recommended that the Board of Directors periodically assess its own performance.

MACSI's Board has not done such an assessment. The Ministry does not know when the Board plans to do so.

We continue to recommend that the Board of Directors of the Métis Addictions Council of Saskatchewan Inc. periodically assess its own performance.

Ministry's monitoring and oversight processes

We describe the Ministry's progress towards meeting the fourth recommendation (in italics) described below.

We recommended that the Ministry of Health ensure MACSI implemented all eight recommendations.

Over the past years, the Ministry has worked with MACSI to address seven of the eight recommendations. It is now working with MACSI to ensure the Board evaluation process is implemented.

We continue to recommend that the Ministry of Health ensure MACSI implements all recommendations of the report.

Health Information Solutions Centre information technology security—a follow-up

In 2006-07, we examined processes of the Health Information Solutions Centre of the Ministry of Health (HISC) to protect the confidentiality, integrity, and availability of client information technology systems and data. We made six recommendations to help HISC improve its processes.

Our 2007 Report – Volume 3 describes our work, findings, and recommendations. In January 2008, PAC agreed with our recommendations.

We did our first follow-up in September 2009 to assess the progress HISC made to address our recommendations. Our 2009 Report – Volume 3 describes the result of our work. At that time HISC had implemented two of our six recommendations.

In September 2010, we did a second follow-up to assess HISC's progress towards addressing the four remaining recommendations. We describe below our recommendations (in italics) and what HISC has done to implement them.

We recommended that the Health Information Solutions Centre of the Ministry of Health meet its service level commitments to its clients related to firewall management and disaster recovery.

HISC uses service level agreements to manage client expectations. These agreements set out the responsibilities of HISC and its clients. HISC has implemented processes to monitor firewalls to help it identify threats. HISC does not have an approved and tested disaster recovery plan as required in its service level commitments to clients (see disaster recovery plans below). HISC has partially met this recommendation.

We recommended that the Health Information Solutions Centre of the Ministry of Health follow its procedures for controlling user access to systems and data.

HISC has improved its management of user accounts and passwords to better control user access to systems. HISC has fully met this recommendation.

We recommended that the Health Information Solutions Centre of the Ministry of Health protect systems and data from security threats by adequately configuring, updating, and monitoring its computers and network equipment.

HISC has implemented processes and equipment to allow it to better monitor for security threats. HISC has fully met this recommendation.

We recommended that the Health Information Solutions Centre of the Ministry of Health have an approved and tested disaster recovery plan for systems and data.

HISC does not have an approved and tested disaster recovery plan for its data centre. Management told us that HISC continues to make progress in developing a second data centre for disaster recovery purposes.

We continue to recommend that the Health Information Solution Centre of the Ministry of Health have an approved and tested disaster recovery plan for systems and data.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[8]

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Association of Health Organizations – Payroll System Security		
2007	PAC concurs: 2E-1 that the Saskatchewan Association of Health Organizations monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect systems and data.	Partially implemented (as at March 31, 2009). We plan to do a follow-up in 2012.

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[8] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Regional Health Authorities

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Main points

Regional Health Authorities (RHAs) continue to make progress towards improving how they safeguard public money. Two RHAs still need to control bank accounts when making payments to their employees and vendors. Some RHAs need to do more work to have complete and tested disaster recovery plans and some still do not have complete information technology (IT) processes. They need disaster recovery plans and IT processes to ensure the security, integrity and availability of their systems and data.

Sun Country RHA needs to follow its established policies when hiring management personnel. Lack of compliance with policies could result in inappropriate hiring decisions. Sun Country RHA also needs to establish processes for administering its relocation incentives. Lack of clear processes resulted in the loss of public money.

Cypress RHA has implemented three of our past recommendations to secure its information technology systems and data and needs to do more to fully address the remaining four. Five Hills RHA has fully addressed all of our past recommendations to improve its processes to achieve planned results.

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Introduction

The Regional Health Services Act (the Act) makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

In 2010, the RHAs had revenues totalling $2.9 billion ($2.5 billion from the Ministry of Health). They had a combined annual deficit of $147 million (2009 - $317 million surplus). At March 31, 2010, the RHAs held total assets of $1.6 billion (2009 - $1.6 billion). Each RHA's annual report includes its audited financial statements.

Under the Act, RHAs have the authority to appoint auditors. We work with appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

The following lists the RHAs and their appointed auditors. We audit the Regina Qu'Appelle RHA directly.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neupath Group, PC Inc.
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Menssa Baert Cameron Oldershaw
Prince Albert Parkland	Meyers Norris Penny LLP
Saskatoon	KPMG LLP
Sun Country	Virtus Group LLP
Sunrise	Parker Quine LLP

This chapter reports the results of our annual audits of RHAs, and our follow-up work on the RHAs described below:

- Cypress – processes to secure (i.e., protect confidentiality, integrity, and availability) its information technology systems and data
- Five Hills – processes to achieve planned results

We also provide an update on the status of recommendations that the Standing Committee on Public Accounts made in the past that the RHAs have not yet implemented and are not discussed elsewhere in this chapter.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the RHAs had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**

- **the RHAs' financial statements are reliable**

To complete our work, we relied on the work and reports of appointed auditors, except for the work and report of the appointed auditor of Sun Country. We did not rely on the appointed auditor's work and report related to the RHA's information technology polices including disaster recovery processes. We describe this matter later in this chapter under the heading "Protecting Information technology (IT) systems and data".

When we do not rely on the work and reports of an appointed auditor, *The Provincial Auditor Act* requires us to do additional work and report the results of our work. Our additional work consisted of examining Sun Country's information technology policies, disaster recovery processes, and discussions with management.

Controlling bank accounts

In our 2007 Report – Volume 3, 2008 Report – Volume 3, and 2009 Report – Volume 2, we recommended that Mamawetan Churchill River, Cypress, Kelsey Trail, and Prairie North follow their processes to control bank accounts when making payments to employees and vendors. The Standing Committee on Public Accounts (PAC) agreed with our recommendations in January 2008, December 2008, and June 2010. While Kelsey Trail and Cypress have addressed our recommendation, Mamawetan Churchill River and Prairie North have not done so.

Employees at Mamawetan Churchill River did not always follow the established processes to control bank accounts. Employees did not always prepare and obtain approval of purchase orders before receipt of goods and services and managers did not always approve employee expenses before payments. Lack of timely approval of purchase orders and employees' expenses could result in loss or misuse of public money.

We continue to recommend that Mamawetan Churchill River Regional Health Authority follow its established processes to control its bank accounts when making payments to employees and vendors.

In 2009, management of Prairie North told us that it would reinforce the requirement for review and approval of timesheets to all employees. Also, management told us that Prairie North had begun a process of training managers and providing regular feedback to managers to ensure compliance with policies and procedures.

During 2009-10, employees did not always ensure that employees' time sheets had supervisory approval before processing payroll and supervisors continued to ignore the policy of approving all time sheets. Lack of approval of time sheets increases the risk of incorrect payments and benefits.

We continue to recommend that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees.

Protecting information technology (IT) systems and data

In our past reports, we recommended that Kelsey Trail, Keewatin Yatthé, Heartland, Mamawetan Churchill River, Regina Qu'Appelle, and Saskatoon establish IT policies and procedures based on a threat and risk analysis. In October 2005, June 2007, January 2008, and June 2010, PAC agreed with our recommendations.

The RHAs continue to make progress but more work remains. Kelsey Trail and Keewatin Yatthé have addressed our recommendations. Heartland, Mamawetan Churchill River, Saskatoon, and Regina Qu'Appelle need to do more to help improve the confidentiality, integrity, and availability of IT systems and data.

For example, Heartland and Saskatoon need to further improve their policies and procedures to allow and remove user access to IT systems and data. Mamawetan Churchill River has not yet established all policies and procedures necessary to secure its systems and data. Regina Qu'Appelle needs to follow its established procedures for removing user accounts and monitoring firewalls. Lack of adequate policies and procedures to grant and remove user access and non-compliance with established policies increase the risk of inappropriate and unauthorized changes to systems and data.

In our 2008 Report –Volume 3, we reported that Cypress did not have adequate processes to protect its IT systems and data and made recommendations. During the year, we assessed how well Cypress has addressed our recommendations. We report the results of our work later in this chapter (see page 170 for details).

As stated earlier, the appointed auditor for Sun Country did not identify the inadequacy of the RHA's IT policies and procedures. We assessed the RHA's IT policies and procedures and concluded that they were not adequate. For example, Sun Country did not always remove access to systems and data for terminated employees and employees that changed positions. Also, some of its employees had passwords not set to expire.

Without adequate IT processes, the RHAs risk unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We examined Saskatoon's processes to protect its IT infrastructure for the period from February 1, 2010 to July 31, 2010. We report our conclusion, findings, and recommendations in Chapter 11D.

We continue to recommend that Heartland, Mamawetan Churchill River, Regina Qu'Appelle, Saskatoon, and Sun Country Regional Health Authorities establish information technology policies and procedures based on a threat and risk analysis.

Disaster recovery planning

In 2009, we assessed the adequacy of RHAs' IT disaster recovery plans (DRP) and reported that most RHAs have done some work addressing their disaster recovery issues. However, none of the RHAs, except for Prince Albert Parkland and Five Hills, had a complete and tested DRP for the systems and data they manage. We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. In June 2010, PAC agreed with our recommendation.

The primary function of a DRP is to rebuild or restore IT resources to provide access to necessary information immediately after a major disaster or other interruption. To protect systems and data that support patient care, RHAs must have adequate DRPs. Lack of adequate disaster recovery planning could result in systems, data, and services not being available to RHAs when needed.

We describe below the status of each RHA's DRP at March 31, 2010.

Cypress:	Incomplete (see page 170 for details).
Heartland:	Incomplete. The DRP does not include all key requirements (e.g., needs to identify recovery time requirements).
Kelsey Trail:	Complete. However, the DRP has not been tested to assess its effectiveness.
Keewatin Yatthé:	The RHA uses Prairie North as its service provider. Prairie North has an adequate DRP but needs to continue regular testing.

Mamawetan Churchill River:	No documented DRP. Threat and risk analysis completed.
Prairie North:	Complete. However, the RHA needs to continue regular testing to ensure its effectiveness.
Regina Qu'Appelle:	Incomplete. The DRP does not describe how to restore key systems and data.
Saskatoon:	No documented DRP (see Chapter 11D for details).
Sun Country:	Incomplete. The DRP does not include recovery time requirements for critical systems.
Sunrise:	Complete. However, the DRP has not been tested to assess its effectiveness.

We continue to recommend that all regional health authorities establish adequate disaster recovery plans and regularly test those plans to ensure their effectiveness.

Establishing complete policies and procedures

In our past reports, we recommended that Regina Qu'Appelle and Cypress establish complete written financial management policies and procedures. In June 2004 and December 2008, PAC agreed with our recommendation.

Regina Qu'Appelle has fully addressed our recommendation. Cypress needs to finalize its policies for delegation of authority, capital assets, investments, and contract management.

Written policies and procedures provide for the orderly and efficient conduct of business, reinforce the Board's delegation of authority, and document the responsibilities of staff. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

We continue to recommend that Cypress Regional Health Authority establish complete written financial management policies and procedures.

Assessing the need for internal audit function

In our 2008 Report – Volume 3, we recommended that the Regina Qu'Appelle Board implement an internal auditor function. In December 2008, PAC agreed with our recommendation.

In our 2009 Report – Volume 3, we recommended that Prairie North and Prince Albert Parkland assess the need for an internal audit function. In June 2010, PAC agreed with our recommendation.

Regina Qu'Appelle, Prairie North, and Prince Albert Parkland have several operating centres (long-term facilities) that receive money, buy goods, and approve invoices for payments. Often, those operating centres do not always agree cash received to cash deposited in the bank and do not adequately segregate employees' duties (i.e., some employees receive cash and record these amounts in the financial records).

Large, diverse organizations with complex management systems need to know if their systems are adequate to meet their objectives. An internal audit function can provide assurance to Boards about the adequacy of their risk management processes, the reliability of their financial reports, the effectiveness of controls to safeguard public resources, and staff compliance with controls.

We urge the Board of Regina Qu'Appelle to implement the earlier Board's decision to establish an internal auditor function.

Management of Prince Albert Parkland told us on August 23, 2010 that the RHA is in the process of hiring a financial analyst for the internal audit function.

The Board of Prairie North continues to gather information to assess its need for an internal audit function.

We continue to recommend that Regina Qu'Appelle Regional Health Authority Board implement an internal audit function.

We continue to recommend that Prairie North Regional Health Authority assess the need for an internal audit function.

Controlling capital assets

In our past reports, we recommended that Keewatin Yatthé and Prairie North periodically count their capital assets and agree their capital asset records to their accounting records regularly. In our 2009 Report – Volume 3, we also recommended that Heartland maintain a current list of its capital assets. In December 2008 and June 2010, PAC agreed with our recommendations.

Prairie North and Keewatin Yatthé have invested about $58.2 million and $25.1 million respectively in capital assets. Because Prairie North and Keewatin Yatthé did not periodically count their assets and agree the count to the capital asset records, they did not know if the capital assets exist or their accounting records are accurate. Inaccurate capital asset records could cause the RHAs to make wrong decisions about equipment purchases and disposals.

During the year, Keewatin Yatthé made no progress to address our recommendation. Management of Prairie North has implemented a new assets management system that links to its financial system. However, it has not counted its assets.

Heartland has addressed our recommendation and now has an updated listing of its capital assets.

We continue to recommend that Keewatin Yatthé Regional Health Authority and Prairie North Regional Health Authority periodically count their capital assets and agree their capital asset records to their accounting records regularly.

Changing accounting records

Mamawetan Churchill River needs to authorize all adjustments to accounting records (journal entries).

Mamawetan Churchill River requires managers to review and approve all journal entries before entering adjustments in its accounting records. However, the journal entries that we examined did not always show evidence of managerial approval.

Lack of approval of journal entries increases the risk of fraud and errors without timely detection.

1. **We recommend that Mamawetan Churchill River Regional Health Authority approve all journal entries before adjusting its accounting records.**

Improving hiring practices

Agencies need rigorous hiring practices to help ensure they hire the right employees for the right jobs. They must then follow those policies when hiring employees for all levels including management personnel.

During 2009, we examined hiring practices at Regina Qu'Appelle, Prairie North, and Sun Country. We looked at the adequacy of these RHAs' hiring policies and procedures and assessed how well they followed those policies and procedures when hiring management personnel.

All three RHAs had adequate hiring policies and procedures. Those policies require officials to review candidates' resumes and credentials (e.g., transcripts, certificates), interview candidates, perform necessary reference checks, and obtain a criminal record check before hiring. Regina Qu'Appelle and Prairie North followed their established policies. Sun Country, however, did not always comply with its established policies.

Officials at Sun Country did not always document the results of interviews, reference checks, and criminal record checks. Nor did they document reasons for hiring a candidate who did not meet the qualifications in the selected position description.

Lack of compliance with policies for hiring management personnel could result in inappropriate hiring decisions.

2. **We recommend that Sun Country Regional Health Authority follow its policies and procedures when hiring management personnel.**

Relocation incentive policies

Sun Country RHA needs to establish a relocation policy to help control expenses relating to hiring new employees.

For difficult to fill positions, Sun Country gives relocation incentives to help attract new employees to the Region. However, it does not have policies and procedures for administering such incentives. For instance, it has not established policies setting out when to offer relocation incentives, maximum amounts, or the process to disburse payments for such incentives. Lack of clear policies and procedures could result in a loss of public money.

In 2008, Sun Country agreed to pay a newly hired senior employee a relocation allowance of $15,000 upon the production of original receipts to support the expenses. The employee used a Sun Country purchase card[1] to pay for relocation expenses and continued to do so for nearly two years after commencing employment. The employee did not submit support for the majority of 2009-10 purchase card expenses until March 2010.

By March 31, 2010, the employee had charged about $25,000 on the purchase card for his relocation expenses. The employee repaid about $10,000 representing the amount in excess of the agreed upon relocation expenses. The employee has since left Sun Country's employment.

3. **We recommend that Sun Country Regional Health Authority establish policies and procedures for relocation incentives for new hires.**

Improving human resource plans

In our 2009 Report – Volume 3, we reported the results of our work to assess the human resources plans of Regina Qu'Appelle and Saskatoon against the key elements of a good human resource plan.

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[1] A purchase card is a credit card issued in the name of the employee and the employer.

We recommended that:

- Regina Qu'Appelle analyze the extent of its workforce gaps and estimate their future impact on services delivery
- Regina Qu'Appelle clarify the resources it needs to implement its human resources plan
- Regina Qu'Appelle identify human resources risks and monitor them at least quarterly using key performance measures
- Saskatoon clarify the resources it needs to implement its human resource plan

In June 2010, PAC agreed with our recommendations.
During the year, we assessed the progress of both Regina Qu'Appelle and Saskatoon towards addressing the above recommendations.

Regina Qu'Appelle

Regina Qu'Appelle has clarified the resources it needs for its human resource plan. It has established the Workforce Planning Steering Committee (Committee) for setting direction and making decisions relating to human resource planning priorities, needs, and reporting requirements. The Committee has begun to identify and analyze key staffing risks and human resource performance indicators. However, the Committee has not yet completed its analysis of workforce gaps or established risk assessment processes relating to all significant occupational groups. The Committee needs to do so before it can develop a complete human resource plan.

We continue to recommend that Regina Qu'Appelle Regional Health Authority analyze the extent of its workforce gaps and estimate their future impact on service delivery.

We continue to recommend that Regina Qu'Appelle Regional Health Authority monitor human resource risks at least quarterly using key performance measures.

Saskatoon

Saskatoon identified overall human resource priorities and risks across the region in its Organizational Workforce Plan (Workforce Plan). The Workforce Plan includes 11 human resource strategies. Saskatoon has also created detail work plans for implementing those human resource strategies.

Saskatoon has clarified the resources needed to implement the human resources strategies and has allocated resources to the functional areas in its work plan.

Saskatoon has fully addressed our recommendation.

Other matters – Loss of public money

During the year, Keewatin Yatthé lost approximately $3,000 of public money. The loss occurred because staff left cash unattended in a public area of the RHA's facility. Keewatin Yatthé reported this matter to the police and changed the location of the cash box.

During the year, an employee at Sun Country misused a purchase card.[2] The employee used the purchase card for personal travel and expenses totalling $6,080. When Sun Country became aware of the misuse, it cancelled the card. Sun Country was setting up a repayment plan when the employee resigned, moved to another province, and claimed bankruptcy. The employee owes Sun Country this money, as well as relocation expenses of $7,442 and other benefits of $2,066, for a total of $15,588 plus interest. Sun Country has forwarded this account to a collection agency for collection.

Furthermore, Sun Country had no evidence of the reference checks when it hired this employee in May 2009. Nor did it obtain a criminal record check or document evidence of its review of the employee's credentials. As we stated earlier, Sun Country's policies require officials to do so before hiring staff.

Cypress RHA's processes to secure IT systems and data—a follow-up

In 2008, we assessed Cypress' processes to secure (i.e., protect confidentiality, integrity, and availability) its information technology systems and data. In our 2008 Report – Volume 3, we concluded that

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[2] A purchase card is a credit card issued in the name of the employee and the employer.

Cypress did not have adequate processes to secure its information technology systems and data. We made seven recommendations. In December 2008, PAC agreed with our recommendations.

In 2010, we assessed the progress Cypress made towards addressing our recommendations. Although Cypress has implemented two of our recommendations, it needs to do more work to fully address the remaining five recommendations.

The following section sets out the recommendations (in italics) and Cypress' progress to July 31, 2010 towards addressing those recommendations.

Assess risks

We recommended that Cypress formally assess the threats and risks to its information technology systems and data.

Cypress has fully addressed our recommendation.

Cypress approved an information technology (IT) plan for 2009-10 that identified IT risks. Cypress has not yet completed its IT strategic plan for 2010-11.

Monitor IT security

We recommended that Cypress monitor the security of its information technology systems and data.

Cypress has partially addressed our recommendation.

To effectively monitor the security of its IT systems and data, Cypress needs policies and procedures for responding to security incidents.

Cypress uses reports from security devices, such as firewalls, to identify and respond to possible security incidents. It also has a system to record incidents reported. At July 2010, it has not established a policy to consistently document and respond to all incidents. Also, it has not defined a communication strategy for reporting incidents to senior management or the Board.

Cypress uses the IT unit of the Ministry of Health (Ministry) for specific IT and security services (e.g., firewall management, disaster recovery for some applications). Cypress received monthly security reports from the Ministry. However, these reports do not provide sufficient information for Cypress to evaluate the impact of security risks on Cypress' systems and data.

We continue to recommend that Cypress Regional Health Authority monitor the security of its information technology systems and data.

Control user access

We recommended that Cypress establish and follow its policies and procedures for granting and removing user access to computer systems and data.

Cypress has partially addressed our recommendation.

Cypress is improving its controls over user access. Cypress has documented its processes for granting user access. It has a process to verify user identity before resetting a user's password or account. Cypress should ensure it promptly removes access when employees leave Cypress' employment.

We continue to recommend that Cypress Regional Health Authority establish and follow its policies and procedures for granting and removing user access to computer systems and data.

Configure computer systems and data

We recommended that Cypress configure its computer systems and data to protect them from external threats including theft or loss.

Cypress has partially addressed our recommendation.

Cypress has taken some steps to improve its configuration of computer systems and data to protect them from external threats. Management told us it plans to deploy laptops with hard drive encryption and is currently investigating encryption of the hard drives for portable media and some desktops. Cypress needs to address other configuration issues. For example, it should track unsuccessful attempts to gain access to computers and network devices, and consistently enforce password requirements.

We continue to recommend that Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss.

Protect computer systems and data

We recommended that Cypress physically protect its computer systems and data from loss or damage.

Cypress has fully addressed our recommendation.

Cypress has appropriately restricted access to its server rooms. It also has relocated equipment to protect critical systems and data with fire suppression systems.

Complete and test disaster recovery plan

We recommended that Cypress complete, approve, and test its disaster recovery plan.

Cypress has not addressed our recommendation.

Cypress has not developed a disaster recovery plan. It is identifying its recovery requirements for key systems and data. Management told us it plans to use this information to assess risk and develop its recovery plans. Cypress also needs to agree with the Ministry on disaster recovery requirements for systems and data hosted by the Ministry.

At July 2010, Cypress had purchased a system to create offsite backups but had not implemented this system. Management told us it plans to implement and document the process in the fall of 2010.

We continue to recommend that Cypress Regional Health Authority complete, approve and test its disaster recovery plan.

Manage IT changes

We recommended that Cypress implement adequate policies and procedures for managing changes to computer systems and data.

Cypress has partially addressed our recommendation.

Cypress has not implemented adequate policies and procedures for managing changes to computer systems (including approval and testing). At July 2010, it had established a system to track changes.

We continue to recommend that Cypress Regional Health Authority implement adequate policies and procedures for managing changes to computer systems and data.

Five Hills RHA's processes to achieve planned outcomes—a follow-up

In our 2007 Report – Volume 1, we concluded that Five Hills had adequate processes to achieve planned outcomes except that it did not:

- formally analyze results (i.e., activities completed and outcomes achieved) and use that analysis to support decisions
- have a training or development program to prepare managers to focus on results

We made three recommendations. In June 2007, PAC agreed with our recommendations.

Our 2008 Report – Volume 3 described our first follow-up and reported that Five Hills had fully addressed one recommendation.[3]

In 2010, we did second follow-up to assess the RHA's progress towards addressing the remaining two recommendations. The following section sets out the remaining recommendations (in italics) and Five Hills` progress up to August 31, 2010.

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[3] In 2008, Five Hills had implemented the recommendation to support its decisions to align resources to expected outcomes using reports that analyze progress toward planned priorities.

Preparing progress reports and analyzing results

We recommended that Five Hills prepare, at least annually, written progress reports for its strategic priorities that include analysis of results (i.e., activities and outcomes). Analysis should compare actual results to baselines and planned targets, include forecasts, and explain why the results vary from the plan.

Five Hills has fully addressed our recommendation.

In December 2009, the Board approved a policy requiring regular progress reports on Five Hills' strategic priorities. The policy required an analysis of progress on activities and outcomes, forecast completion dates, and explanations for why results differed from the plan or target.

In 2010, the Board received progress reports prepared in accordance with the policy. These reports helped the Board to monitor Five Hills' progress towards its strategic objectives. For example, the Board received quarterly reports on important priorities such as surgical wait times, and comparisons of actual wait times to both the regional target and the provincial average of time waited for similar surgeries.

Five Hills also provided a report on primary health care to the Board. It outlined operational activities and showed quarterly comparisons to targets. The Board also received brief updates on strategic priorities such as retaining and recruiting workers. These updates compared results for three years to the target and described planned activities.

Learning new management skills

We recommended that Five Hills routinely provide its managers with opportunities to learn about outcome-oriented management (i.e., about selecting useful targets, analyzing results in the short, medium, and long term and using performance information).

Five Hills has fully addressed our recommendation.

In 2010, Five Hills routinely provided new staff with a two-week orientation. In addition, new managers completed an orientation checklist. This checklist required discussion with other managers about strategic priorities and monitoring outcomes.[4] For example, new managers learned about monitoring results in terms of financial reports and quality improvement projects.

Five Hills also developed a leadership project team. This team promoted leadership training and served as role models for other managers. In 2009 and 2010, the leadership project team improved the managers' orientation, made presentations about management skills, and began long-term planning for training managers.

Five Hills also provided routine quality-improvement training to those carrying out quality-improvement projects. This training included setting targets for improvements and learning to monitor progress toward these targets. Forty-one staff, including many of its managers, received this training. In addition, several members of the Board and senior leadership team attended six training workshops with the Health Quality Council of Saskatchewan. These workshops explained how to measure outcomes in the short and long term.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Health (Regional Health Authorities)		
2002	PAC concurs: 6D-1 that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2010). Capital equipment plans are improving but still do not contain all key elements of good plans.

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[4] Strategic priorities are set out in Five Hills' Strategic Plan.

[5] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Health (Injury reduction)		
2005	PAC concurs: 2-1 that the Boards of Governors of the Regina Qu'Appelle and Saskatoon Health Regions should commit to workplace safety as a priority and that the boards should: - set specific targets to reduce work-related injuries to care staff in the short term - allocate resources to achieve the targets (e.g. staff or mechanical aids) - receive frequent reports about injury rates and actions to reduce injuries - hold senior managers accountable to reduce injuries	**Partially implemented** (as at September 30, 2008). We plan to do a follow-up in 2011.
2005	PAC concurs: 2-2 that the Regina Qu'Appelle and Saskatoon Health Regions should analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.	**Partially implemented** (as at September 30, 2008). We plan to do a follow-up in 2011.
2005	PAC concurs: 2-3 that the occupational health committees of the Regina Qu'Appelle and Saskatoon Health Regions should: - monitor injury trends at least quarterly - analyze the causes of injuries in areas with high injury rates at every meeting - make written recommendations to senior management and their board to fix unresolved causes of injuries	**Partially implemented** (as at September 30, 2008). We plan to do a follow-up in 2011.
Ministry of Health (Immunization coverage)		
2009	PAC concurs: 2D-1 that the Prince Albert Parkland Regional Health Authority work with First Nations and federal health agencies to maximize access to immunization for children in the region.	**Partially implemented** (as at September 24, 2008). We plan to do a follow-up in 2011.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 2D-2 that the Prince Albert Parkland Regional Health Authority set target immunization coverage rates for children in the region and develop plans to achieve those targets.	**Partially implemented** (as at September 24, 2008). We plan to do a follow-up in 2011.
2009	PAC concurs: 2D-3 that the Prince Albert Parkland Regional Health Authority regularly report to its board an analysis of the causes of its low immunization coverage rate.	**Partially implemented** (as at September 24, 2008). We plan to do a follow-up in 2011.
Ministry of Health (Hospital acquired infections)		
2009	PAC concurs: 11D-2 that the Sunrise Regional Health Authority provide guidance to help staff fully identify, investigate, analyze and report hospital-acquired infections.	**Partially implemented** (as at August 31, 2009). We plan to do a follow-up in 2011.
2009	PAC concurs: 11D-3 that the Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infections by reporting and monitoring: -the rates and causes of hospital-acquired infections -progress toward targets by type of infection	**Partially implemented** (as at August 31, 2009). We plan to do a follow-up in 2011.

Maintenance of medical equipment

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Main points

To provide adequate patient care, regional health authorities must adequately maintain medical equipment used to treat and diagnose patients. Preventative maintenance of medical equipment can help reduce overall capital spending over the long term. Poorly maintained equipment could malfunction resulting in incorrect dosage and treatment. Equipment failure could result in unsafe care and patient harm.

Kelsey Trail Regional Health Authority (Kelsey Trail) did not have adequate processes to maintain its medical equipment. It needs to clearly define roles and responsibilities for maintaining its medical equipment and establish written policies and procedures. It must also maintain a complete and current list of all medical equipment, its location, and its maintenance record. About 28% of the equipment that we tested at Kelsey Trail did not conform to the manufacturer's preventative maintenance standards.

The chapter has seven recommendations for Kelsey Trail to help strengthen its processes. We encourage other regional health authorities to use the criteria described in this chapter to assess the adequacy of their processes to maintain medical equipment.

Introduction

The Kelsey Trail Regional Health Authority (Kelsey Trail) has approximately 1,580 staff and 35 physicians. It has three district and three community hospitals. Kelsey Trail has 116 acute care and 482 long-term care beds.

Kelsey Trail is responsible for the overall quality of care of its patients. To provide a high level of patient care, Kelsey Trail uses medical equipment to help diagnose and treat patients. In 2009-10, it spent $1.4 million on capital equipment purchases[1] and $698 thousand on repairs and maintenance.[2]

Background

Providing safe, patient-centred care is an objective of the Government. Fostering a culture of quality improvement and client-centred service, and transforming the care and service experience through a focus on patient/client safety are two of seven strategic goals set by Kelsey Trail.[3]

Medical equipment (e.g., intravenous pumps, ventilators, cardiac monitors, diagnostic equipment, beds, lifts) is essential to diagnose and treat patients. Medical equipment requires preventative maintenance. Such maintenance helps ensure the equipment works as planned. For example, well maintained equipment pumps help ensure the correct dosage of medication.

Preventative maintenance of medical equipment can reduce overall capital spending over the long term. Properly functioning medical equipment also maintains the capacity of the healthcare system to provide safe, patient-centred care.

Manufacturers set out preventative maintenance requirements in their recommended standards. Legislation also sets out preventative maintenance requirements for medial equipment. For example, the Regulations under *The Occupational Health and Safety Act, 1993* require regional health authorities to use competent persons to implement preventative maintenance programs that meet manufacturers' recommendations for medical equipment to mobilize, lift, hold, turn, position, or transfer patients. Also, the Regulations under *The Hospital Standards Act* require regional health authorities to take precautions to ensure anaesthesia equipment is maintained in a serviceable condition for immediate use.

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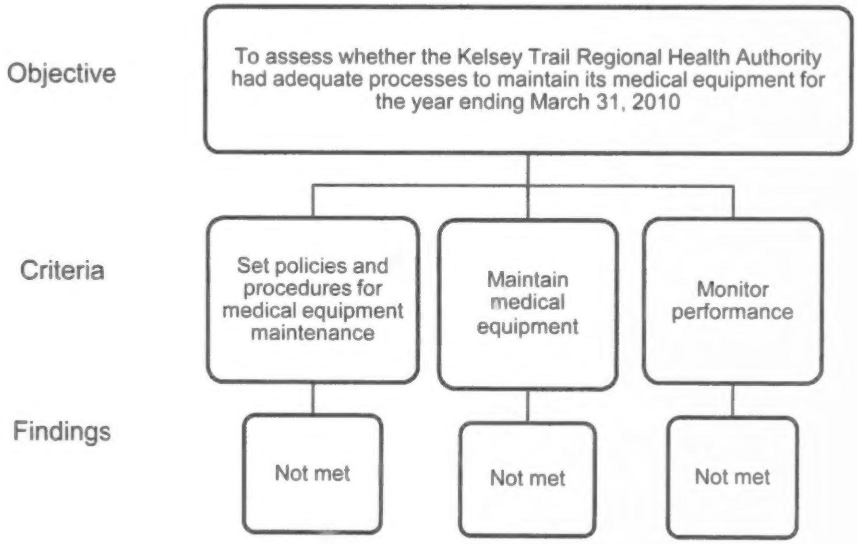
[1] Kelsey Trail Regional Health Authority's 2009-10 Annual Report, p 83.
[2] Ibid, p 99.
[3] Ibid, p 7.

Management told us it maintains medical equipment in one of three ways: a service contract with a manufacturer, an agreement with an affiliate of another regional health authority (service provider), or Kelsey Trail employees. Manufacturers maintain approximately 55% of the equipment, the service provider maintains about 30%, and Kelsey Trail employees maintain the rest.

Poorly maintained equipment could malfunction resulting in incorrect diagnosis and treatment. Furthermore, equipment failure could result in unsafe care that may harm patients.

Our audit objective, criteria, and summary findings


Objective
To assess whether the Kelsey Trail Regional Health Authority had adequate processes to maintain its medical equipment for the year ending March 31, 2010
Criteria
Set policies and procedures for medical equipment maintenance
Maintain medical equipment
Monitor performance
Findings
Not met
Not met
Not met

To conduct this audit, we followed the *Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate Kelsey Trail's processes, we used criteria that we established based on the work of other auditors and current literature listed in the selected references. Management agreed with the above criteria.

We assessed the adequacy of Kelsey Trail's central processes. We also assessed the adequacy of medical equipment maintenance processes used at the Melfort and Tisdale hospitals.

Our conclusion and recommendations

We concluded that, for the year ended March 31, 2010, Kelsey Trail Regional Health Authority did not have adequate processes to maintain its medical equipment.

Kelsey Trail did not adequately delegate responsibility to maintain medical equipment. Its policies and procedures were not complete. Nor did Kelsey Trail have adequate oversight of maintenance work done by manufacturers or its service provider. As a result, Kelsey Trail did not know if medical equipment in use was properly maintained. We make the following recommendations to help Kelsey Trail strengthen its processes.

1. **We recommend that Kelsey Trail Regional Health Authority clearly define roles and responsibilities for maintaining all of its medical equipment in accordance with recommended standards.**

2. **We recommend that Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards.**

3. **We recommend that Kelsey Trail Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities.**

4. **We recommend that Kelsey Trail Regional Health Authority make an agreement with its service provider for the maintenance of medical equipment.**

5. **We recommend that Kelsey Trail Regional Health Authority monitor the medical equipment maintenance work performed by manufacturers and its service provider.**

6. **We recommend that Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record.**

7. **We recommend that Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities.**

Our detailed findings

We set out below what we expected *(in italics)* for each criterion and our detailed findings.

Setting policies and procedures for medical equipment maintenance

We expected Kelsey Trail to set policies and procedures for medical equipment maintenance by:

- *establishing maintenance policies that are consistent with recognized maintenance standards*
- *assigning responsibility for medical equipment maintenance*
- *reviewing and updating policies and procedures regularly*

Kelsey Trail has not established adequate policies and procedures to maintain medical equipment at its healthcare facilities. It needs policies and procedures that are consistent with maintenance standards and legal requirements. Kelsey Trail should also implement processes to keep its policies and procedures up to date.

Kelsey Trail did not have complete and up-to-date inventory records of its medical equipment. Officials could not tell us what processes they use to ensure service providers have complete and up-to-date inventory records of Kelsey Trail's medical equipment.

Without such information, Kelsey Trail may not know if it is complying with the legislative requirements to ensure a competent person performs preventative maintenance on medical equipment. Kelsey Trail staff at both hospitals did not always know what preventative maintenance was required for medical equipment and who was responsible to do such maintenance.

Lack of clear information about roles and responsibilities could put patients at risk and reduce public confidence in the healthcare system.

Maintaining medical equipment

We expected Kelsey Trail to carry out medical equipment maintenance by:

- *identifying medical equipment that requires maintenance*
- *scheduling preventative maintenance*
- *performing maintenance*

Manufacturers of equipment set maintenance standards ranging from daily to annual tests. Manufacturers may also require equipment to be returned after a specified amount of use. For example, ventilators have daily, weekly, and monthly maintenance requirements. In addition, the manufacturer standards require Kelsey Trail to return ventilators after 6000 hours of use.

We found about 28% of the equipment that we tested in the two hospitals did not conform to the manufacturers' preventative maintenance standards. For example, the last complete testing of a ventilator in use was 1998 and the last annual maintenance of a cardiac monitor was in 2007. The manufacturer standards require annual preventative maintenance for the cardiac monitor. Kelsey Trail needs to ensure all equipment is scheduled for preventative maintenance in accordance with manufacturer standards. Poorly maintained equipment could put patient care at risk.

In June 2009, Kelsey Trail hired a bio-medical technician. The technician is responsible to maintain equipment that is not maintained by the manufacturer or the service provider. Management told us the technician has begun to tag equipment and identify maintenance requirements. Management also told us that Kelsey Trail has recently purchased a software program and hired staff to track equipment and document medical equipment's maintenance requirements.

Monitoring performance

We expected Kelsey Trail to monitor performance by:

- *monitoring equipment downtime*
- *taking action to address issues identified*
- *reporting maintenance results*

Kelsey Trail did not adequately monitor equipment performance. Equipment downtime monitoring was limited to certain specific equipment in Kelsey Trail's laboratory services.

Management told us that Kelsey Trail has an agreement with a service provider to maintain its equipment. However, Kelsey Trail could not provide us with a copy of the written agreement.

As we stated earlier, Kelsey Trail did not have processes to ensure its equipment receives preventative maintenance that the manufacturers and the legislation require. Nor did Kelsey Trail have a complete list of its equipment and its location. Reports provided by Kelsey Trail's service provider in the past year indicated that the service provider could not find about 16% of the equipment it needed to test. We found no evidence of Kelsey Trail's efforts to find such equipment.

Kelsey Trail does not provide its Board of Directors or senior management with periodic reports on the state of Kelsey Trail's medical equipment. Nor does it provide adequate information to employees using the equipment. As a result, employees may not be aware of medical equipment that is working incorrectly or is unsafe for use.

Selected reference

Auditor General of Nova Scotia. (2007*)*. Management of diagnostic imaging equipment – Capital Health & Cape Breton DHA. In R*eport of the Auditor General.* Halifax: Author.

Information technology security

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Main points

Saskatoon Regional Health Authority (Saskatoon) did not have adequate processes to protect its information technology (IT) infrastructure. Lack of adequate processes to protect IT infrastructure increases the risk of unauthorized access to Saskatoon's systems and data, unauthorized disclosure of confidential information, and inappropriate changes to data. Also, to provide adequate patient care, Saskatoon must protect its IT infrastructure.

The chapter makes six recommendations to help Saskatoon secure its IT infrastructure. We encourage other regional health authorities to use the criteria described in this chapter to assess the adequacy of their own processes to protect IT infrastructure.

Introduction

The Regional Health Services Act makes Saskatoon Regional Health Authority (Saskatoon) responsible for the planning, organization, delivery, and evaluation of health services in the Saskatoon health region. Saskatoon is responsible to provide health services to over 300,000[1] people at an annual operating cost of over $900 million.[2] It also provides specialized services to the rest of Saskatchewan. Saskatoon employs over 13,000 staff and 847 physicians.[1]

To support the delivery of health care services, Saskatoon uses information technology (IT) systems. For example, Saskatoon uses IT systems for lab results, medical imaging, and patient registration and billing. It needs accurate, appropriate, and timely information from these systems to make wise decisions.[3] Saskatoon also stores confidential patient data in its IT systems. Therefore, maintaining the security of its IT infrastructure is very important to ensure protection of patient data.

Over the next few years, Saskatoon expects to increase its use of IT systems through the Government's implementation of electronic health record systems. These systems will enable easier access to complete patient data by health care providers. They will also require increased security controls to ensure accuracy, completeness, and confidentiality of the patient data.

To provide adequate patient care, Saskatoon must protect its IT systems and data. Saskatoon's IT systems and data reside on its network and computer equipment. Saskatoon needs to protect its equipment from loss, damage, and unauthorized changes. Failure to do so could result in disclosure of patient data, incorrect information, and inadequate patient care.

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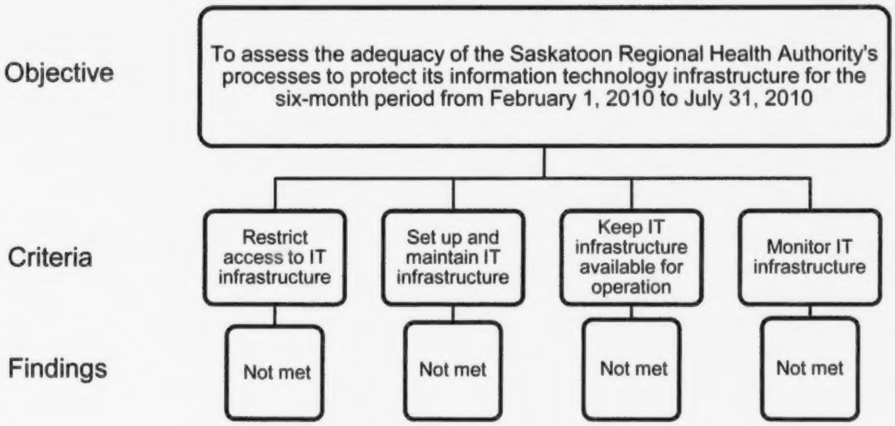
[1] *Saskatoon Regional Health Authority, 2009-2010 Annual Report*, p. 5.
[2] Ibid, p. 91.
[3] *Saskatoon Regional Health Authority, 2008-2009 Annual Report*, p. 42.

Objective and criteria


Objective
To assess the adequacy of the Saskatoon Regional Health Authority's processes to protect its information technology infrastructure for the six-month period from February 1, 2010 to July 31, 2010
Criteria
Restrict access to IT infrastructure
Set up and maintain IT infrastructure
Keep IT infrastructure available for operation
Monitor IT infrastructure
Findings
Not met
Not met
Not met
Not met

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Saskatoon's processes, we used criteria that we developed based on the work of other auditors and current literature listed in the selected references. Saskatoon's management agreed with the criteria.

Conclusion and recommendations

The Saskatoon Regional Health Authority did not have adequate processes to protect its information technology infrastructure for the six-month period from February 1, 2010 to July 31, 2010.

Inadequate processes to protect IT infrastructure increase the risk of unauthorized access to Saskatoon's system and data, unauthorized disclosure of confidential information, and inappropriate changes to data. The following recommendations are designed to help Saskatoon strengthen its controls to protect its systems and data.

1. **We recommend that Saskatoon Regional Health Authority implement adequate information technology policies.**

2. **We recommend that Saskatoon Regional Health Authority adequately restrict access to information technology equipment, systems, and data.**

3. **We recommend that Saskatoon Regional Health Authority configure and update its computers and network equipment to protect them from security threats.**

4. **We recommend that Saskatoon Regional Health Authority prepare and test an information technology disaster recovery plan.**

5. **We recommend that Saskatoon Regional Health Authority monitor the security of its information technology infrastructure.**

6. **We recommend that Saskatoon Regional Health Authority provide timely reports to the Board of Directors and senior management on the state of its information technology infrastructure.**

Detailed findings by criterion

In the following sections, we describe our expectations (in italics) and findings for each criterion.

Restrict access to IT infrastructure

We expected Saskatoon to have adequate physical access and user access processes to protect the IT infrastructure from unauthorized access.

Good physical control means protecting IT infrastructure from harm. Physical access controls protect all computers and network devices from unauthorized access. For example, security controls should physically prevent unauthorized users from entering a data centre.

User access controls limit use of an IT system to only approved people or processes. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the internet, automated processes, and multiple locations.

Saskatoon did not have adequate documented policies and procedures for physical protection of its IT equipment. It used locked rooms (e.g., server rooms) to protect most of its computer equipment in Saskatoon. However, at some of its facilities located in rural Saskatchewan, network equipment was located in areas open to the public.

Saskatoon has documented user access policies and procedures for granting and removing user access and for password requirements. However, Saskatoon did not consistently follow its policies during the audit period. For example, some staff no longer employed by Saskatoon continued to have access to systems and data. In addition, some accounts used to access the network did not have passwords set to expire.

Inadequate processes to restrict access to IT infrastructure increases the risk of damage, loss, or inappropriate use of systems and data.

Set up and maintain IT infrastructure

We expected Saskatoon to have processes to adequately set up (i.e., configure) and update its IT infrastructure against security threats. Adequate processes require approving and testing system changes before implementation.

Saskatoon did not have adequate documented policies and procedures for the configuration of its computers and network equipment. Some of its equipment did not appropriately restrict access. Processes for remotely accessing systems and data were inadequate. In one case, a wireless network used inadequate encryption. The weak encryption could allow an unauthorized user to see data sent on the wireless network. Without appropriate security, unauthorized individuals could obtain access to systems and data without physically being present in restricted areas.

Saskatoon did not have adequate documented policies and procedures for updating (i.e., patching) its IT equipment. Saskatoon did not update its IT equipment on a timely basis. In some cases, it did not update computers and network equipment for over a year. Improperly maintained equipment may not work as required.

Keep IT infrastructure available for operation

We expected Saskatoon to have adequate processes to ensure its systems and data are available for operation when needed.

Even with good backup and recovery procedures, Saskatoon may not be able to continue its operations if a major problem occurs. Therefore, it should have a contingency plan to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

Saskatoon has established processes to backup its data. It has also identified its critical systems and has defined some recovery time requirements. However, it did not have a complete disaster recovery plan (DRP). Management told us it plans to develop and implement detailed recovery plans for all critical systems, including downtime procedures that staff should follow if a system is unavailable. When complete, Saskatoon should test its DRP regularly to ensure the plan will work as required.

Without an adequate DRP, systems and data may not be available when needed.

Monitor IT infrastructure

We expected Saskatoon to monitor compliance with security policies and procedures. This includes monitoring contractors who perform work on its behalf. We also expected Saskatoon to have processes to identify and resolve security threats.

Saskatoon did not have adequate IT security policies and procedures. Management told us it plans to draft policies and procedures based on its threat and risk assessment.

Saskatoon did not have documented policies and procedures for monitoring or responding to IT security threats. For example, it did not monitor potential security alerts. Nor did it have processes capable of detecting inappropriate activity on its network. Without adequate monitoring of its systems, Saskatoon would not be aware of unauthorized attempts to access IT systems and data or successful security breaches. Management told us that it plans to hire an IT security officer in late 2010 whose responsibilities will include implementing a process to monitor IT security compliance.

Saskatoon has a committee to oversee IT strategy and infrastructure. The committee includes members from senior management. However, the committee did not meet regularly during the audit period. Without regular meetings, the committee may not be able to assess and report upon the adequacy of the Saskatoon's IT infrastructure including services provided by external service providers.

Senior management and the Board of Directors need to monitor the adequacy of the Saskatoon's IT infrastructure by reviewing periodic reports from the committee.

Selected references

Canadian Institute of Chartered Accountants (CICA). (2003). *Trust services principles and criteria*. Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

IT Governance Institute. (2006). IT Control Objectives for Sarbanes-Oxley: *The role of IT in the design and implementation of internal control over financial reporting, 2nd Edition*. Rolling Meadows, IL: Author.

The Information Systems Audit and Control Foundation. (2005). *CoBiT4.0*. Rolling Meadows, IL: Author.

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Electronic health record—A person's health record designed to be accessed online from many separate, compatible systems within a network.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

IT infrastructure—An organization's computer and network equipment.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Highways and Infrastructure

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Main points

The Ministry of Highways and Infrastructure (Highways) needs better service level agreements with its providers of information technology services. Without better agreements, Highways does not know whether its service providers could restore its key systems and data in event of a disaster and if its data is secure.

Also, Highways needs to follow its established procedures to promptly remove access of former employees to its computer network. Not removing access promptly exposes Highways to the risks of loss of public money and inappropriate access to confidential information.

Introduction

The Ministry of Highways and Infrastructure (Highways) manages and provides for the future development of an integrated provincial transportation system. Its strategic transportation policy seeks to promote the safe and efficient movement of people and goods and guide its operations.[1]

The provincial transportation system includes more than 26,000 km of highways, about 800 bridges, 17 airports in northern Saskatchewan and 12 ferries.[2] At March 31, 2010, this infrastructure has a net book value of about $1.8 billion.

Highways is responsible for the Transportation Partnership Fund (Fund) and the Global Transportation Hub Authority (Authority).

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2010:

	Original Estimates[3]	Actual
	(in millions of dollars)	
Central Management and Services[4]	$ 17.6	$ 17.5
Preservation of Transportation System	155.4	150.7
Strategic Municipal Infrastructure	66.0	62.4
Operation of Transportation System[4]	90.9	90.8
Transportation Policy	4.0	4.7
Custom Work Activity[5]	--	3.2
Capital Asset Amortization	103.1[6]	92.3
Total expense	437.0	421.6
Capital acquisitions[7]	296.1	259.7
	733.1	691.3

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[1] Government of Saskatchewan, 2009-10 Annual Report, Ministry of Highways and Infrastructure, p. 6.

[2] Ibid.

[3] *Saskatchewan Provincial Budget 09-10 Estimates* – Highways and Infrastructure Vote 16; Highways and Infrastructure Capital Vote 17, Government of Saskatchewan.

[4] Original estimates amount shown is net of estimate for capital acquisitions.

[5] Custom work activity is done on cost-recovery basis.

[6] Amortization is not included in appropriation.

[7] Amounts reflect estimated and actual spending for votes 16 and 17.

Highways had revenue of $118.8 million including transfers from the Federal Government of $114.8 million. Highways' annual report sets out differences between actual and estimated revenues and expenses and explains significant differences.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **Highways had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Highways and the Authority complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the financial statements of the Authority and the Fund are reliable**

Adequate service level agreement for the Highway Hotline needed

Highways needs an adequate service level agreement with the service provider and host of the Highway Hotline. The Highway Hotline provides reports on current driving conditions on all Saskatchewan highways including construction, maintenance activities, and known circumstances that affect driving conditions.

Highways has an agreement with the service provider for the Highway Hotline. These services include production, storage, maintenance, and operation of necessary systems and client support.

Highways has identified the Highway Hotline as a critical function in ensuring public safety on the transportation system. Consequently, it has set a target of providing reliable Highway Hotline services with less than 10 hours of downtime during the winter months.[8] To deliver on this key action, Highways needs to ensure the Hotline's uninterrupted and efficient operation.

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[8] Government of Saskatchewan. 2009-10 Ministry Plan, Ministry of Highways and Infrastructure, p. 4.

The service level agreement does not adequately address disaster recovery or the security of the Highway Hotline system. As a result, Highways does not know whether the service provider will be able to restore the systems and data when needed in the event of a disaster or whether Highways' data is secure. Highways has identified in its business continuity plan that it must review this area.

1. **We recommend that the Ministry of Highways and Infrastructure have an adequate service level agreement with the Highway Hotline service provider that addresses the Ministry's disaster recovery and security needs.**

Adequate service level agreement with ITO needed

Highways has received certain information systems services from the Information Technology Office (ITO) since April 2005. ITO billed Highways $5.0 million for the services it provided for the year ended March 31, 2010. These services include:

- acquiring and maintaining infrastructure
- client support
- applications development and project management services

In October 2008, Highways signed a service level agreement with ITO to provide information technology services. This agreement was in effect during 2009-10. As previously reported, the agreement does not adequately address disaster recovery and Highways' ability to obtain assurance as to the security of its information systems.[9] As a result, Highways does not know whether ITO can restore systems and data when needed in the event of a disaster or whether Highways' data is secure.

We continue to recommend that the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems. The Standing Committee on Public Accounts (PAC), on April 21, 2010, concurred with our recommendation.

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[9] See Chapter 3 of our 2009 Report – Volume 3. This report is available at www.auditor.sk.ca.

Prompt removal of expired user access needed

As previously reported, Highways has adequate procedures to permit only authorized staff access to its computer systems and data, but it does not always follow them.[10] During the audit, we continued to find former employees whose access to Highways' computer systems was not removed in a timely manner.

Unless it follows its established procedures for removing user access, Highways cannot ensure that only authorized individuals have access to its computer systems and data. As a result, Highways is exposed to the risk of loss of public money and inappropriate access to confidential information.

We continue to recommend that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. PAC, on April 21, 2010, concurred with our recommendation.

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[10] See Chapter 11 of our 2009 Report – Volume 3. This report is available at www.auditor.sk.ca.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and not discussed elsewhere in this chapter.[11]

PAC REPORT YEAR[12]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Highways and Infrastructure (Cross-Government Infrastructure)		
2005	PAC concurs: 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.	**Partially implemented** (as at March 31, 2010). Highways uses the government's Accountability Framework to guide its public reports. At March 31, 2010, Highways, consistent with other ministries, does not publish its planned targets.

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[11] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[12] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Information Technology Office

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Main points

As a service provider and custodian of ministry information systems and data, the Information Technology Office (ITO) must protect the confidentiality, integrity, and availability of ministry information technology (IT) systems and data.

To protect ministry IT systems and data, ITO needs to:

- provide relevant and timely security reports
- establish policies that set a minimum IT security standard for ministries
- protect systems and data from security threats
- have a disaster recovery plan for its data centre and ministry systems

ITO needs to prepare accurate and complete financial reports. Also, ITO exceeded its appropriation by $5.1 million without obtaining a special warrant to authorize the additional spending. In addition, ITO should sign adequate agreements with ministries before delivering services to them, ensure agreements address security and disaster recovery requirements, and improve its human resource plan.

Introduction

The Information Technology Office Regulations, 2007 continues the Information Technology Office (ITO) as a ministry. The mandate of ITO includes: "to develop, promote, and implement policies and programs of the Government of Saskatchewan relating to information technology and information management."[1]

For further details regarding ITO's mandate and operations, consult its publications on its website at www.ito.gov.sk.ca.

Financial overview

The following is a list of ITO's major programs and spending:

	Original Estimates[2]	Actual[3]
	(in millions of dollars)	
Central Management and Services	$ 2.1	$ 2.1
IT Coordination and Transformation Initiatives	5.0	4.6
Interministerial Services	--	5.1
	7.1	11.8
Major Capital Asset Acquisitions	0.2	0.6
	7.3	12.4

ITO provides information technology (IT) services to client ministries on a cost recovery basis. The total amount recovered from client ministries for 2009-10 was $48.6 million (for core services provided), which was $5.1 million less than estimated.

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[1] *The Information Technology Office Regulations, 2007*, s. 3(b).
[2] Saskatchewan Finance, *2009-2010 Saskatchewan Estimates.*
[3] Information Technology Office, *2009-2010 Annual Report*. www.ito.gov.sk.ca

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **ITO had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **ITO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**

In this chapter, we also report the results of our ITO security audit and provide an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and have not been discussed elsewhere in this chapter.

Prepare accurate and complete financial reports

The *Financial Administration Manual (*FAM) requires ITO to give the Ministry of Finance a year-end financial report that shows the revenues, expenses, assets, and liabilities of ITO. The Ministry of Finance uses this report to prepare the financial statements of the General Revenue Fund.

ITO's financial reports for the year ended March 31, 2010 contained several errors. For example, its contractual obligations schedule had several incorrect amounts that resulted in an overall understatement of contractual obligations by $5.5 million.

1. **We recommend that the Information Technology Office prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual.***

Approved appropriation exceeded

ITO did not comply with the law as it incurred $5.1 million of spending without proper authority. This spending occurred as a result of not recovering all expenses for providing services to other ministries.

The Legislative Assembly, through appropriation acts, provides authority to ministries to spend money out of the General Revenue Fund. Under *The Financial Administration Act, 1993*, Cabinet can authorize further spending under certain circumstances. Such authorization is called a "special warrant."

For the year ending March 31, 2010, the Assembly authorized ITO to spend $7.3 million. ITO, however, spent $12.4 million during the year. ITO did not request or obtain a special warrant to authorize the additional spending of $5.1 million. As a result, ITO spent $5.1 million without proper authority.

ITO security audit

The mandate of ITO includes "to develop, procure and provide goods and services related to information technology and information management on behalf of the Government of Saskatchewan and to charge ministries for those goods and services." [4]

ITO delivers IT services to government ministries and agencies (clients). ITO buys, distributes, and manages IT hardware and software. ITO also develops IT applications and provides project management services based on client requests.

ITO states that it provides IT services to over 12,000 staff at 26 clients[5] of which the majority are ministries.

The importance of IT security

Information technology is an integral part of delivering many government programs and services. To deliver services effectively and achieve objectives, government agencies need to know that their IT systems and data are secure. That is, they need to know that processes are in place and are operating effectively to protect the confidentiality, integrity, and availability of their systems and data.

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[4] *The Information Technology Office Regulations, 2007*, s. 3(c).

[5] ITO *Annual Report 2008-09*, p.6. Note that these numbers include ITO.

ITO stores client data and computer equipment needed to run client systems in a data centre.[6] ITO also manages network equipment at client locations. ITO must manage the security risks associated with the data centre and network. It must also know whether security risks are managed at client locations and whether clients are meeting their security responsibilities. This is because a weakness at a client location poses risks to all users of ITO's services.

Audit objective and criteria

The objective of our audit was to assess whether ITO had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the six-month period from September 1, 2009 to February 28, 2010.

We do this audit every year and use the results of this audit to support our other audit work performed at client agencies.

We used criteria to assess ITO's processes. The criteria are based on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants (CICA) and American Institute of Certified Public Accountants and international standards, literature, and reports of other legislative auditors. ITO agreed with the criteria.

Exhibit—Audit Criteria

To have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data, ITO should:

1. **Show management commitment to security**
   Responsibility for security is clearly defined
   Threat and risk assessments have been performed
   IT planning supports security
   Management has approved security policies and procedures
   Management monitors security for the data centre and clients
2. **Protect client systems and data from unauthorized access**
   User access controls protect the client systems from unauthorized access
   Physical security controls protect the data centre from unauthorized access
3. **Ensure client systems and data centre are available for operation**
   System and data backups occur and are tested
   Disaster recovery and business continuity plans are in place
4. **Ensure the integrity of client systems and data**
   Change management processes exist and are followed
   Computer operation processes exist and are followed

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[6] ITO uses one main data centre. It has additional data centres that it uses for testing and backup purposes.

To conduct this audit, we followed *The Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*.

While this audit focused on ITO's controls, adequate security requires that both ITO and clients have strong security controls. For example, clients need good physical security processes to ensure only authorized users have access to their systems and data. We did not include client security controls in the scope of this audit. However, we are aware of security weaknesses at some clients. For example, not all clients inform ITO to remove access for individuals who are no longer employed. Unless both ITO and its clients have strong security processes, client systems and data are at risk.

Audit conclusion

The Information Technology Office had adequate controls to protect the confidentiality, integrity, and availability of client information technology (IT) systems and data for the period from September 1, 2009 to February 28, 2010, except it needs to:

- **provide relevant and timely security reports to its clients**
- **establish policies that set a minimum IT security standard for clients**
- **protect systems and data from security threats**
- **have a disaster recovery plan for its data centre and client systems**

ITO told us that it plans to contract with external service providers for operation of its data centre. ITO told us it expects the change will assist it in responding to our security recommendations.

In the sections below, we describe the criteria in italics and set out our key findings and recommendations.

Key findings and recommendations by criterion

Show management commitment to security

We expected ITO to demonstrate commitment to security of client systems and data.

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A member of senior management leads a strong IT division. A steering committee ensures the IT division meets client needs. IT planning supports security, and threat and risk assessments have been performed that support the planning. The adequacy of security and availability controls is reported to clients on a timely basis. Commitment also includes implementing and monitoring compliance with security policies and procedures.

ITO has an appropriate IT organizational structure for securing its data centre. A member of senior management leads IT operations. Senior management meets regularly to discuss IT operations and client issues.

ITO's strategic plan defines key goals and objectives related to security. ITO uses an IT security framework based on international standards to protect its data centre. It continues to implement policies and procedures within this framework.

ITO did assessments and received security reports from independent reviews. Senior management received the results of this work. The work performed at ITO confirms that security weaknesses exist.

ITO improved its reporting to clients regarding security during the audit period. ITO meets regularly with its clients. It has set up, with its clients, a committee that meets to discuss security issues. ITO also provides service reports to clients that describe security incidents. However, ITO does not provide adequate information on its security weaknesses to clients or explain the potential impact of its weaknesses on client systems and data.

We continue to recommend that the Information Technology Office provide relevant and timely security reports to its clients. We reported this matter in our 2009 Report – Volume 3. On June 18, 2010, PAC agreed with the recommendation.

ITO has agreements with most, but not all, of its clients. During the audit period, ITO began negotiating new agreements with its clients. The existing agreements require ITO and clients to jointly protect assets according to ITO's security framework.

During the audit period, ITO worked with its clients to revise the security framework. The new framework is intended to provide increased information on the respective roles and obligations of ITO and its clients. ITO and its clients are developing specific guidance in terms of the minimum security procedures clients must follow.

Accordingly, we continue to recommend that the Information Technology Office establish information technology security policies for its clients. We first reported this matter in our 2008 Report – Volume 3. On December 10, 2008, PAC agreed with the recommendation.

Protect client systems and data from unauthorized access

We expected ITO to have adequate physical access and user access controls to protect client systems and data from unauthorized access.

Good physical access controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, ITO should physically prevent unauthorized persons from entering its data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. A client determines who should have access to its systems and data. The client then relies on ITO to make user access changes that it requests.

We expected ITO to protect the data centre by configuring, updating, and monitoring its systems against security threats. We also expected ITO to secure data communications to and from the data centre.

ITO has good physical access controls for protecting its IT infrastructure. It has several layers of physical access controls designed to prevent unauthorized persons from accessing its data centre. ITO also has video surveillance processes for monitoring high security areas.

ITO has adequate policies and procedures for granting and removing user access when requested by clients and for periodically reviewing access to systems and data. ITO has a process for identifying stale user accounts and reporting these accounts to clients. A user account is stale if it is not used for a certain period (e.g., 45 days). Timely review of stale user accounts helps identify inappropriate user accounts (e.g., if a user is no longer employed).

ITO has adequate policies and procedures for enforcing use of passwords to access the network as well as for changing user passwords. However, ITO did not consistently follow its password requirements. For example, some passwords do not expire.

ITO has adequate policies and procedures for updating its computers. ITO uses a formal threat and risk assessment to evaluate and rank security updates. However, ITO did not consistently follow its policies and procedures. For example, we found that ITO did not update its servers on a timely basis for known security threats.

ITO and its clients need to protect the security of data transmitted between client locations and the data centre. The primary method used to transmit information is CommunityNet, a high-speed, province-wide data communication network.[7] Private and confidential government information travels over CommunityNet.

To protect data transmissions requires either a separate secure communications network or strong encryption processes. Highly confidential data may require both. A secure network has security controls that are tested and monitored for effectiveness. Neither ITO nor its clients know whether the security controls in CommunityNet are adequate to meet their needs. Nor do they always encrypt confidential data.

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[7] CommunityNet is a data network provided by SaskTel.

ITO monitors two firewalls and an intrusion detection system at the data centre. This helps ITO detect inappropriate activity on its network on a timely basis. However, ITO needs to properly configure the firewalls to prevent unauthorized access to its network.

ITO also manages firewalls at client locations. ITO needs to properly configure the client firewalls and monitor them.

We continue to recommend that the Information Technology Office protect its systems and data from security threats. We first reported this matter in our 2006 Report – Volume 3. On April 3, 2007, PAC agreed with the recommendation.

Ensure client systems and data are available for operation

We expected ITO to have strong processes to ensure client systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurs. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity into systems, when cost effective, so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The availability of client systems and data requires strong processes at both ITO and clients. ITO needs to have processes to ensure it can restore its data centre. Clients need to identify their disaster recovery requirements to ensure ITO can develop adequate plans to restore their systems.

ITO performs daily data backups. ITO has procedures for identifying backup failures and for transferring backup tapes to off-site storage. Off-site data backups help prevent data loss if the data centre is destroyed. However, ITO needs to follow all of its back-up processes. For example, ITO did not consistently transfer its backup data off-site on a daily basis.

ITO has developed and approved a business continuity plan for ITO as well as a disaster recovery plan for the data centre. The disaster recovery plan defines who can activate the plan, identifies staff roles and responsibilities, and includes documentation on systems and recovery processes.

ITO's disaster recovery plan does not adequately address client requirements for recovery of their systems and data. Neither ITO nor clients know whether systems and data can be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan. ITO told us it has begun to identify recovery priorities among client systems in consultation with its clients.

ITO has performed limited testing of its disaster recovery plan. Testing has relied on assumptions, such as equipment being available, that may not be valid in a disaster. ITO needs to test its disaster recovery plan to ensure it will work in the event of a disaster.

We continue to recommend that the Information Technology Office have a disaster recovery plan for its data centre and client systems. We first reported this matter in our 2006 Report – Volume 3. On April 3, 2007, PAC agreed with the recommendation.

Ensure the integrity of client systems and data

We expected ITO to have processes for maintaining the integrity of client systems and data by implementing strong change management and IT operation processes. The processes should include approval and testing of changes before implementation.

ITO has adequate change management policies and procedures. These include documenting, testing, approving, and moving changes from the test environment to operations. ITO has a change management committee that meets regularly to review and approve changes.

Computer operating processes help ensure that systems and data are secure, that only authorized users have access, and that computers are kept up to date. We describe our findings for these processes earlier in this chapter.

Selected references

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Status of outstanding recommendations of the Standing Committee on Public Accounts

The table below provides an update on recommendations previously made by PAC, that are not yet implemented and are not discussed earlier in this chapter.[8]

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Information Technology Office		
2007	PAC concurs: 8-1 that the Information Technology Office should sign service level agreements with its clients prior to delivering information technology services.	**Partially implemented** (as at March 31, 2010). ITO is in the process of signing new agreements.
2007	PAC concurs: 8-2 that the Information Technology Office should sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.	**Partially implemented** (as at March 31, 2010). ITO is in the process of signing new agreements. The agreements will require the ministries to purchase adequate disaster recovery processes.
2009	PAC concurs: 12-1 that the Information Technology Office's human resource plan: - quantify its future human resource needs - provide details on the human resource gap between actual and required resources - provide measurable indicators and targets for its key strategies - provide details on plans to implement the major strategies	**Partially implemented** (as at March 31, 2010). ITO produced a Workplace Plan that quantifies its future human resources needs and provides details on the human resources gap between actual and required resources.

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[8] For the definitions of key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Business continuity plan—A plan for an organization to carry on providing key programs and services after a serious disruption or emergency. The part of a business continuity plan that relates to restoring IT systems and data is often called a disaster recovery plan.

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Intrusion detection system (IDS)—Software and/or hardware designed to detect a security breach by identifying inappropriate access or changes taking place within a computer or network.

IT infrastructure—An organization's computer and network assets.

IT security framework—An overall approach to IT security that includes and organizes more specific policies and procedures.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Justice and Attorney General

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Main points

The Ministry of Justice and Attorney General (Justice) must obtain proper approval for its federal-provincial agreements and submit timely claims.

Justice needs to continue to work to address our past recommendations relating to compliance with credit card security standards, adequacy of information technology (IT) processes, and completion of business continuity planning. Justice has made progress but more work remains.

The Saskatchewan Financial Services Commission (Commission) has made good progress towards implementing our past recommendations relating to individual complaints of the investing public. The Commission has implemented three of our five recommendations and continues to make progress towards meeting the remaining two recommendations.

Introduction

The Ministry of Justice and Attorney General (Justice) provides legal services and justice policy advice to government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. Also, the Ministry provides support for the courts system, prosecutorial services, civil law services, and marketplace regulation.[1]

For the year ended March 31, 2010, the Ministry spent $145.3 million on its programs and earned revenues of $51.4 million. Information about the Ministry's revenues and expenses appears in Justice's 2009-2010 annual report (see http://www.justice.gov.sk.ca).

The following is a list of Justice's major programs and spending:

	Original Estimates[2]	Actual
	(in millions of dollars)	
Courts and civil justice	$ 46.6	$ 48.4
Legal and policy services	27.0	27.4
Boards and commissions	25.1	25.6
Central management and services	20.5	20.7
Community justice	18.4	17.6
Marketplace regulation	4.0	3.7
Capital asset amortization	0.7[3]	0.5
Courts capital	--	1.4
Total Expenses	142.3	145.3
Capital Acquisitions	22.2	12.8
	$ 164.5	$ 158.1

Justice is responsible for the following trust and special purpose funds, boards, and commissions (agencies).

	Year-end
Criminal Property Forfeiture Fund	March 31
Law Reform Commission of Saskatchewan	March 31
Office of Residential Tenancies – Director's Trust Account	March 31
Provincial Mediation Board Trust Accounts	March 31

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[1] Ministry of Justice and Attorney General, 09-10 Annual Report, p. 7.
[2] *Saskatchewan Provincial Budget 09-10 Estimates.*
[3] Amortization is not included in appropriation.

	Year-end
Public Guardian and Trustee of Saskatchewan	March 31
Queen's Printer Revolving Fund	March 31
Saskatchewan Financial Services Commission Fund	March 31
Saskatchewan Legal Aid Commission	March 31
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices	March 31
Victims' Fund	March 31

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **Justice and its agencies had adequate rules and procedures to safeguard public resources except for the matters described below**

- **Justice and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described below**

- **the financial statements for the agencies are reliable**

In this chapter, we also report the results of our follow-up work to assess the progress the Saskatchewan Legal Aid Commission and the Saskatchewan Financial Services Commission have made towards addressing our past recommendations. We also provide an update on recommendations of the Standing Committee on Public Accounts (PAC) that are not yet implemented and have not been discussed in the chapter.

Approvals of cost-share agreements

Justice needs to obtain proper approval for all its cost-share agreements with the Federal Government.

Justice administers and funds certain initiatives that receive financial contributions from the Federal Government, such as the Aboriginal

Courtworker Program. Justice makes agreements with the Federal Government to share costs for administering such programs. *The Federal-Provincial Agreements Act* requires cabinet approval (Order in Council) for all such agreements with the Federal Government.

The cost-share agreement for the Aboriginal Courtworker program expired on March 31, 2008. Justice has extended the program without cabinet approval.

For 2009 and 2010, Justice recorded approximately $620,000 and $620,000 respectively as the amounts owing from the Federal Government for administering the program.

1. **We recommend that the Ministry of Justice and Attorney General establish a process to obtain approval for all federal-provincial cost-share agreements in accordance with *The Federal-Provincial Agreements Act*.**

Timely submission of cost-share claims

Justice needs to submit all cost-share claims as stipulated in the agreements.

The cost-share agreement with the Federal Government for the Aboriginal Courtworker program requires Justice to submit to the Federal Government by December 31 each year a claim statement showing eligible expenses incurred in a fiscal year. However, the last claim statement Justice submitted for this program related to the 2005-06 fiscal year.

Lack of timely submission of claims increases the risk that cost-sharing partners may not pay their share of the costs of the programs. At March 31, 2010, Justice had amounts owing from the Federal Government totalling $1.8 million for the Aboriginal Courtworker program.

2. **We recommend that the Ministry of Justice and Attorney General submit timely claims for all of its cost-share programs.**

Complying with the credit card security standards

In our 2008 Report – Volume 3, we recommended that the Ministry of Justice and Attorney General secure credit card information in accordance with the credit card industry's security standards. In December 2008, PAC agreed with our recommendation.

Justice accepts on-line credit card payments for some of its services (e.g., fines, annual returns, purchase of copies of legislation).

During the year, Justice continued to work with a contractor and has made some progress. It has identified security gaps and controls to address these gaps. However, Justice needs to do more to secure information relating to the credit card transactions in accordance with the credit card industry's security standards.

Lack of compliance with the industry's security standards increases the risk of unauthorized access to private information without ready detection. This could lead to a loss of public money, reputation, and the ability to process payments.

We continue to recommend that the Ministry of Justice and Attorney General secure credit card information in accordance with the credit card industry's security standards.

Adequacy of information technology (IT) processes

In our 2008 Report – Volume 3, we recommended that the Ministry of Justice and Attorney General sign an adequate agreement on disaster recovery and security with the Information Technology Office (ITO). In December 2008, PAC agreed with our recommendation.

Justice has not made any changes to its agreement with ITO. The agreement with ITO does not adequately address security requirements. For example, the agreement does not set out what security policies and procedures Justice's employees need to follow. Nor does it identify disaster recovery times for significant applications. As a result, Justice does not know if ITO's disaster recovery processes meet Justice's needs.

We continue to recommend that the Ministry of Justice and Attorney General sign an adequate agreement on disaster recovery and security with the Information Technology Office.

In our 2008 Report – Volume 3, we also recommended that the Ministry of Justice and Attorney General adequately monitor the security and availability of its IT systems and data. In December 2008, PAC agreed with our recommendation.

To know that its computer systems and data are secure, Justice needs to monitor whether the security ITO provides is adequate. Justice continues to receive from ITO monthly reports similar to the past year. As previously reported, those reports provide little information on the security or availability of IT systems and no information about the adequacy of ITO's controls. Accordingly, Justice does not know about control deficiencies at ITO and how they could impact Justice's systems and data.

Justice has processes for removing user access for individuals who no longer work for the Ministry. However, employees did not always follow them. Lack of timely removal of user access for former employees increases the risk of inappropriate access and unauthorized changes to the Ministry's systems and data.

We continue to recommend that the Ministry of Justice and Attorney General adequately monitor the security and availability of its information technology systems and data.

Completing business continuity plan

In our 2005 Report – Volume 3, we recommended that the Ministry of Justice and Attorney General complete and implement its business continuity plan (BCP).[4] In February 2006, PAC agreed with our recommendation.

Justice has developed and approved plans for recovery of its critical services. Justice has provided ITO with recovery time objectives for each of its critical IT systems. As stated earlier, Justice does not know if ITO's disaster recovery processes meet the Ministry's needs.

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[4] **Business Continuity Plan** (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions including normal operations of computerized systems.

Justice completed some BCP testing during the year. However, key elements of the plan still need to be tested, including testing recovery of critical IT systems.

We continue to recommend that the Ministry of Justice and Attorney General complete and implement its business continuity plan.

Saskatchewan Legal Aid Commission

The Saskatchewan Legal Aid Commission (Commission) was established on September 1, 1983 pursuant to *The Legal Aid Act*. The Commission provides legal advice and representation to individuals (clients) who meet the criteria defined in *The Legal Aid Regulations, 1995*. The Commission receives over 23,000 applications requesting legal services each year.[5] Generally, any individual who receives social assistance is eligible to receive legal services.

Implementation of past recommendations needed

In our previous reports, we made recommendations relating to the Commission's information technology. As noted in the exhibit below, these recommendations remain outstanding.

We continue to make the recommendations contained in Exhibit 1.

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[5] Saskatchewan Legal Aid Commission 2009-2010 Annual Report, pg. 14.

Exhibit 1 – Summary of previous outstanding recommendations

RECOMMENDATION (INITIAL REPORT)	STATUS WITH PAC	ACTIONS THE COMMISSION TOOK IN 2009-10	STATUS OF RECOMMENDATION
Information technology			
We recommend the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems. (2008 Report – Volume 1 - Chapter 8)	PAC agreed with this recommendation on June 17, 2008.	The Commission is upgrading its systems in 2010 and plans to address this recommendation at that time.	Partially implemented.
We recommend the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network equipment. (2008 Report – Volume 1 - Chapter 8)	PAC agreed with this recommendation on June 17, 2008.	The Commission is upgrading its systems in 2010 and plans to address this recommendation at that time.	Partially implemented.
We recommend the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data. (2008 Report – Volume 1 - Chapter 8)	PAC agreed with this recommendation on June 17, 2008.	The Commission prepared a draft disaster recovery plan but it has not been approved or tested.	Partially implemented.

Saskatchewan Financial Services Commission

Processes to investigate complaints—a follow-up

In 2007, we assessed the Saskatchewan Financial Services Commission's processes to investigate complaints by the investing public. Our 2007 Report – Volume 3 reported that the Commission did not have adequate processes to investigate complaints by the investing public. We made five recommendations. On August 28, 2008, PAC agreed with our recommendations.

The following section sets out the recommendations (in italics) and the Commission's progress up to June 30, 2010 towards addressing those recommendations.

Most significant complaints

We recommended that the members of the Saskatchewan Financial Services Commission establish a formal system to focus investigative resources on timely attention to the most significant complaints.

The Commission has met our recommendation.

The Commission did a risk assessment to help determine its priorities. It plans to review this assessment annually. The risk assessment was used to help develop case assessment forms that document the assessment of risk for individual complaints received. Employees use the case assessment forms, reports about on-going investigations, and staff meetings to review the relative significance of each complaint (i.e., prioritize).

When a complaint relates to a possible violation of the *Criminal Code*, the Commission refers the matter to the police. The Commission also considers whether it should investigate the matter because it is responsible for any violation of securities laws. However, if it decides not to investigate, it monitors the police investigation and reassesses its decision monthly.

Standards for investigations

We recommended that the members of the Saskatchewan Financial Services Commission establish standards for planning, conducting, and reviewing investigations into complaints from the investing public.

The Commission has met our recommendation.

The Commission approved an Enforcement Procedures Manual (Manual) that sets out standards for investigations. These standards include investigation templates and sample documentation to help employees conduct investigations. The Manual also establishes standard timeframes for completion of key phases of the investigation.

The Commission authorized management to make changes to the Manual over time as necessary. The Commission reviews and approves all changes to the Manual annually.

Monitor investigations

We recommended that the members of the Saskatchewan Financial Services Commission monitor all investigations of complaints from the investing public including those referred to self-regulatory organizations.

The Commission continues to work towards fully addressing the recommendation.

The Commission requires independent review and approval at key stages of the investigation such as case assessment, completion of initial planning, conclusion of the investigation, and closure of the file. Standard forms document these approvals.

The Commission set up a process for its members to review closed files for compliance with standards. In fall 2009, Commission members began reviewing closed files. During the review, members were to verify management's review and approval to close a file. We found that the members' review did not always detect incomplete management reviews.

To avoid any actual or perceived bias, the new process does not allow the reviewing Commission member to hear the case if it is reopened at a future date. For this reason, the Commission documents which Commission member has reviewed a file. Because the new process began in April 2010, we cannot assess the effectiveness of this process. Management told us that no files have been reopened as a result of members' review.

At times, the Commission may refer investigation and enforcement of complaints to self-regulatory organizations with which it has agreements (e.g., the Investment Industry Regulatory Organization of Canada, the Mutual Fund Dealers Association of Canada). The Commission reviews investigation reports from these organizations. Triennially, the Commission participates in oversight reviews of these organizations, including their investigation and enforcement processes.

We continue to recommend that the members of the Saskatchewan Financial Services Commission monitor all investigations of complaints from the investing public including those referred to self-regulatory organizations.

Review investigation process

We recommended that the members of the Saskatchewan Financial Services Commission require and review sufficient information about investigations of complaints from the investing public to carryout their responsibilities.

The Commission has met this recommendation.

The Commission implemented reporting and review processes. These processes enable oversight of investigations while maintaining independence of hearing panels.

The Chair of the Commission continues to be involved in active oversight of operations including investigations. The Chair does not sit on any hearing panels.

The Commission receives monthly dashboard reports on activity levels including matters involving self-regulatory organizations, the police, or another provincial security regulator. The Commission does not receive detailed information about investigations. However, as stated earlier, members of the Commission review closed investigation files to monitor compliance with standards and investigation results. The reviewing Commission member is not assigned to a hearing panel if the reviewed file is reopened at a later date.

Set performance targets

We recommended that the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives.

The Commission told us it plans to continue improving its processes to measure performance of its securities complaints process.

The Commission identified a few output measures that focus on completion of key stages of investigations. It also set targets for these measures and requires management to report against these measures monthly. The Commission has begun to report publicly on one of these measures in its annual report.

The Commission did not set out requirements to explain differences between planned and actual results for performance measures. Nor did it receive management reports explaining such differences. Management told us it verbally explains differences at Commission meetings.

The Commission has not identified performance measures related to planned outcomes. Management told us the Commission is working to clarify its key outcomes. Following this, it plans to realign its planned actions, identify performance measures for planned outcomes, and set targets for those performance measures.

We continue to recommend that the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[6]

PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Justice and Attorney General (Superintendent of Pensions)		
2005	PAC concurs: 5-1 that the Superintendent of Pensions should expand its analysis of pension plan risks to include the key risks faced by all pension plans.	**Partially implemented** (as at September 2007) We have a follow-up planned for 2011.

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[6] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[7] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 5-2 that the Superintendent of Pensions should prepare a risk-based work plan to supervise pension plans.	**Partially implemented** (as at September 2007) We have a follow-up planned for 2011.

Liquor and Gaming Authority

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Liquor and Gaming Authority

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Main points

Liquor & Gaming Authority (Liquor & Gaming) needs to improve its oversight of Saskatchewan Indian Gaming Authority's (SIGA) operations. Without effective oversight, Liquor & Gaming does not know if SIGA is complying with agreed-upon policies and procedures to safeguard public money from loss due to errors or fraud.

As the regulator of gaming activities in the Province, Liquor & Gaming needs to improve its monitoring of video lottery terminals. It also needs to complete the registration of automated teller machine service providers at casinos.

Liquor & Gaming needs to comply with its established policies and procedures. It needs to follow its information technology policies and procedures to protect its computer systems and data, especially its customers' credit card information. It also needs to comply with its performance evaluation policy for managers.

Liquor & Gaming needs to manage its contractual costs of the defined benefit pension plan for the Western Canada Lottery Corporation employees that operate and maintain Liquor & Gaming's video lottery terminals, slot machines, and break-open vending machines.

As of April 30, 2010, Liquor & Gaming's processes to monitor Indigenous Gaming Regulators Inc.'s compliance with charitable gaming regulatory agreements were adequate with three exceptions. The chapter makes three recommendations to help Liquor & Gaming strengthening its processes.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown agency that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA's) casinos.

Under the *Criminal Code*, only governments can own and manage slot machines. The Government uses SIGA to operate the slot machines at six casinos throughout Saskatchewan under Liquor & Gaming's direction. Liquor & Gaming signed a Casino Operating Agreement with SIGA. Under the Casino Operating Agreement, the revenues from the slot machines belong to Liquor & Gaming. The Casino Operating Agreement expires on June 11, 2027.

SIGA must also follow the policies and procedures that Liquor & Gaming approves for casino operations. Liquor & Gaming allows SIGA to deduct properly supported expenses that comply with the approved policies from the slot machine revenues. Accordingly, Liquor & Gaming is accountable for SIGA's expenses that it accepts as appropriate. Liquor & Gaming includes slot machine revenues and expenses in its financial statements.

In 2009-10, Liquor & Gaming had revenues of $1,000 million, expenses of $567 million, and net income of $433 million. At March 31, 2010, Liquor & Gaming held total assets of $176 million and had a deficit of $10.6 million. Liquor & Gaming's *2009-10 Annual Report* includes its financial statements.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

- **Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **Liquor & Gaming's financial statements are reliable**

Also, this chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Continual monitoring of SIGA operations needed

Background

Under the Casino Operating Agreement (Agreement), the revenues from the slot machines in SIGA's casinos belong to Liquor & Gaming. SIGA's expenses reduce Liquor & Gaming's income from slot machine revenues. Accordingly, Liquor & Gaming is exposed to SIGA's operating risks.

The Agreement allows Liquor & Gaming to set SIGA's operating policies to safeguard public money and determine what expenses SIGA can deduct from slot machine revenues. If SIGA incurs inappropriate expenses, Liquor & Gaming recovers the amount of the expenses from the First Nations Trust Fund. Inappropriate expenses are those that do not have adequate support, do not comply with approved policies, or are losses that result from SIGA not complying with approved policies.

Monitoring compliance with operating policies needed

In our 2009 Report – Volume 3, we recommended that Liquor & Gaming establish a risk-based process to assess SIGA's compliance with approved operating policies. We also recommended that Liquor and Gaming take steps to recover losses of public money from automated teller machines at SIGA's casinos. In June 2010, PAC agreed with our recommendations. We continue to make these recommendations for the reasons set out below.

Liquor & Gaming plans to implement a risk-based process in 2011-12 to assess SIGA's compliance with approved operating policies. Of the

$1.2 million loss that SIGA incurred on automated teller machines in 2009-10, Liquor & Gaming recovered $0.5 million through insurance proceeds. Liquor & Gaming continues to pursue its options for the recovery of the remaining loss.

Regulating and monitoring provincial gaming activities

Background

Liquor & Gaming is responsible for regulating all gaming activities in the Province. It operates video lottery terminals and owns and manages the slot machines in SIGA's casinos. Liquor & Gaming must have adequate monitoring controls to help ensure the integrity (fairness and legality) of gaming activities throughout the Province.

Better monitoring of VLTs needed

In our 2009 Report – Volume 3, we recommended that Liquor & Gaming establish adequate rules and procedures to verify that the video lottery terminals (VLTs) hold percentages are in accordance with gaming integrity standards. In June 2010, PAC agreed with our recommendation. We continue to make this recommendation for the reasons set out below.

Liquor & Gaming has approved VLT gaming integrity standards for the Province. In 2009-10, it developed controls for monitoring hold percentages of VLTs. As of March 31, 2010, it has partially implemented these controls.

In the absence of fully implemented controls, Liquor & Gaming does not know if the actual hold percentages for VLTs comply with its gaming integrity standards. The lack of adequate oversight increases the risk of patrons losing confidence in the integrity of gaming activities.

Registration of ATM suppliers needed

In our 2009 Report – Volume 3, we recommended that Liquor & Gaming register casino automated teller machine (ATM) suppliers. In June 2010, PAC agreed with our recommendation. We continue to make this recommendation for the reasons set out below.

As a regulator of the Saskatchewan gaming industry and as an operator, Liquor & Gaming needs to ensure that individuals and organizations that work in and provide services to the industry are reputable.

Liquor & Gaming requires persons who work in the industry to be registered. It also requires the registration of suppliers of gaming services.

Liquor & Gaming is now requiring casino ATM suppliers to be registered. However, it has not yet completed the registration of these suppliers.

Compliance with policies and procedures needed

Liquor and Gaming needs to ensure its management and employees comply with established policies and procedures in the following two areas.

Information technology (IT)

Since our 2007 Report – Volume 3, we have recommended that Liquor & Gaming needs to follow its approved information technology (IT) policies and procedures. In January 2008, PAC agreed with our recommendation. We continue to make this recommendation for the reasons set out below.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Liquor & Gaming's information system contains sensitive data including credit card information.

Liquor & Gaming receives millions of dollars in credit card sales from its liquor stores. We found that the sensitive information it collects from customers, such as credit card information, is not adequately secured. For example, credit card data is not encrypted as recommended by payment card industry security standards. The lack of security could result in unauthorized access to customers' credit card information. Liquor & Gaming continues to work on a project to strengthen the security of credit card information.

Employees did not always follow the approved policies for removing user access privileges and for monitoring network security. For example, some former employees' and consultants' access privileges for certain Liquor & Gaming IT applications were not suspended when they left. Liquor & Gaming also needs to monitor network security alerts to detect and react to security threats quickly.

Delays in updating user accounts and failure to monitor network security increase the risk of unauthorized disclosure of data, modification, or loss.

Employee performance evaluations

Liquor & Gaming needs to comply with its performance evaluation policy and procedures for out-of-scope employees.

Liquor and Gaming's performance evaluation policy requires its management to evaluate employees' performance annually. Performance evaluations help ensure employees perform their duties as expected. Management also needs this information to develop adequate training plans to help employees obtain the necessary competencies to do their assigned work.

Liquor & Gaming did not consistently follow its performance evaluation policy and procedures. Formal performance evaluations as required by Liquor & Gaming's policies and procedures were not documented for 60% of the out-of-scope employees.

1. **We recommend that the Liquor and Gaming Authority comply with its approved policy and procedures for evaluating employee performance.**

Management of contractual costs needed

Liquor & Gaming needs to manage its contractual costs related to a pension plan for certain employees of the Western Canada Lottery Corporation (WCLC).

Under its agreement with WCLC, Liquor & Gaming is responsible for the defined benefit pension plan costs for the WCLC employees that operate and maintain Liquor & Gaming's video lottery terminals, slot machines, and break-open vending machines. Liquor & Gaming acknowledges that it is contractually responsible for these costs.

For the 2009-10 fiscal year, Liquor & Gaming paid WCLC $12.6 million to operate the VLT, slot machine, and the break-open vending machine programs. Of the $12.6 million, $727,000 related to its contractual costs for WCLC's defined benefit pension plan.

Defined benefit plan pensions can be extremely volatile due to changes in plan benefits, plan assumptions (e.g. inflation rates, mortality, etc.), and investment earnings. Liquor & Gaming does not obtain the information that it needs to manage its costs related for this plan. For example, it does not receive information on changes in plan benefits, assumptions, or investment strategies.

Without this kind of information, Liquor & Gaming cannot effectively manage its contractual costs arising from this defined benefit pension plan.

2. **We recommend that the Liquor and Gaming Authority manage its contractual costs related to the pension plan for certain employees of the Western Canada Lottery Corporation.**

Regulating charitable gaming on reserves

Background

Charitable gaming on reserves includes table games in casinos,[1] bingos, break-open ticket sales, poker tournaments, and raffles.

The *Criminal Code* (section 207) defines legal gaming activity in Canada. It requires charitable gaming to be conducted under a licence issued by a province or any authority designated by the Lieutenant Governor in Council of the province. In Saskatchewan, the primary authority for licensing charitable gaming is Liquor & Gaming.

In March 2007, the Government designated Indigenous Gaming Regulators Inc. (IGR) as an authority to regulate charitable gaming on reserves in Saskatchewan.[2] Through a detailed Licensing Agreement signed by Liquor & Gaming and IGR, the Government gave IGR authority to perform certain regulatory activities related to charitable gaming on specified reserves.[3] This Licensing Agreement is the primary regulatory agreement for charitable gaming on reserves.

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[1] Saskatchewan Indian Gaming Authority operates casinos on First Nations reserves.

[2] The Government took this action through Order in Council 217/2007.

IGR's regulatory activities include:

- licensing charities to conduct gaming on reserves
- monitoring compliance with the terms and conditions of the gaming licences issued (e.g., with on-site inspections)
- verifying the accuracy and completeness of reported revenues and expenditures of the charities (e.g., through audits)

Liquor & Gaming is responsible to monitor IGR's performance of these regulatory activities so that gaming regulations are applied consistently throughout the Province.

After starting in 2007, IGR provided 91 licenses for charitable gaming in 2008 and 106 licenses in 2009.

Audit objective and conclusion

The objective of this audit was to assess the adequacy of Liquor & Gaming's processes as at April 30, 2010 to monitor Indigenous Gaming Regulators Inc.'s compliance with charitable gaming regulatory agreements. Exhibit 1 provides an overview of the objective, criteria, and findings.

To evaluate Liquor & Gaming's processes, we used the criteria set out in italics in the section "Criteria, key findings, and recommendations." The literature in "Selected references" guided our selection of criteria. Liquor & Gaming's management agreed with the criteria.

To conduct this audit, we followed the *Standards for Assurance Engagements* published by the Canadian Institute of Chartered Accountants in the *CICA Handbook – Assurance*.

We concluded that the Liquor and Gaming Authority had adequate processes as at April 30, 2010 to monitor Indigenous Gaming Regulators Inc.'s compliance with charitable gaming regulatory

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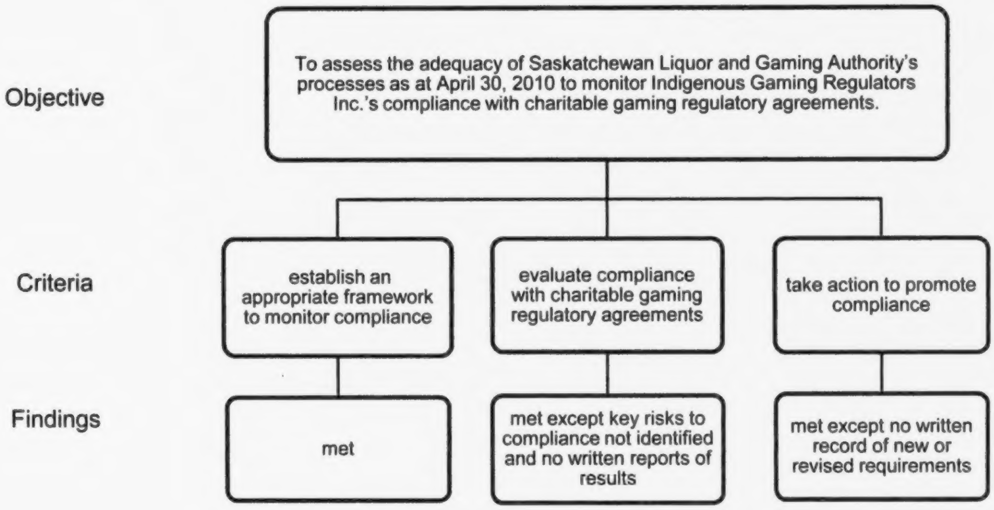
[3] First Nation bands must vote to name IGR as their gaming regulator.

agreements except for the items set out below. Liquor & Gaming needs processes for:

- **identifying key risks to charitable gaming**
- **timely, written reports to senior management about compliance**
- **documenting new or revised actions required for consistent application of the regulations**

Exhibit 1—Overview of objective, criteria, and findings


Objective
To assess the adequacy of Saskatchewan Liquor and Gaming Authority's processes as at April 30, 2010 to monitor Indigenous Gaming Regulators Inc.'s compliance with charitable gaming regulatory agreements.
Criteria
establish an appropriate framework to monitor compliance
evaluate compliance with charitable gaming regulatory agreements
take action to promote compliance
Findings
met
met except key risks to compliance not identified and no written reports of results
met except no written record of new or revised requirements

Criteria, key findings, and recommendations

Establishing a regulatory framework

We expected Liquor & Gaming to establish an appropriate regulatory framework by:

- *clearly defining roles and responsibilities*
- *providing guidance on expected regulatory processes*
- *requiring reports*

Liquor & Gaming established an appropriate framework to monitor compliance with regulatory agreements. Liquor & Gaming describes its framework in a formal agreement designed to achieve consistent application of gaming regulations both on and off First Nations reserves.

The 2007 Licensing Agreement signed by Liquor & Gaming and IGR establishes a regulatory framework for monitoring compliance. The Licensing Agreement sets out roles and responsibilities including monitoring and reporting.

The Licensing Agreement is extensive. It provides formal guidance by setting out detailed terms and conditions for all types of charitable gaming. Liquor & Gaming also offers informal guidance through its staff who work with IGR staff to resolve challenging situations.

Liquor & Gaming uses a joint committee to clarify responsibilities and exchange information with IGR. The joint committee has two members from Liquor & Gaming and two members from IGR. In addition, the Presidents of Liquor & Gaming and IGR meet bi-monthly to share information.

The Licensing Agreement identifies the information that Liquor & Gaming is to receive routinely about charitable gaming on reserves. For example, it requires IGR to provide annual licensing reports. These reports show whether IGR licenses eligible groups and whether the licensed groups use the net proceeds of charitable gaming (e.g., bingos, raffles, break-open tickets) for charitable purposes. The Licensing Agreement also requires that Liquor & Gaming receive reports documenting periodic reviews of IGR's operations by an independent external expert. These reports help Liquor & Gaming to monitor IGR's regulatory compliance.

Evaluating compliance but key risks not identified

We expected Liquor & Gaming to evaluate IGR's compliance with regulatory agreements by:

- *assigning responsibility for monitoring regulatory compliance*
- *analyzing results of monitoring procedures*
- *identifying key risks*[4]
- *identifying required actions to address key risks*
- *reporting results to senior management*

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[4] Key risks are major financial, operational, or legal concerns related to charitable gaming.

Liquor & Gaming assigns responsibility for monitoring IGR's activities to its Regulatory Compliance Division. The Division is responsible to design, implement, and monitor the Province's regulatory framework for charitable gaming.

Liquor & Gaming obtains sufficient information from IGR to evaluate IGR's regulatory activities. Liquor & Gaming receives detailed quarterly reports about IGR's inspections of casino table games on reserves. Liquor & Gaming also receives detailed annual reports about groups IGR licenses for other charitable gaming on reserves (e.g., for bingos, break-open tickets, raffles). Liquor & Gaming receives updates on IGR's progress toward licensing groups with a history of unlicensed gaming on reserves (e.g., bingos).[5] These updates help Liquor & Gaming to monitor progress toward consistent compliance with gaming regulations across the Province.

Liquor & Gaming uses several methods to evaluate IGR's compliance with the Licensing Agreement. Liquor & Gaming expects IGR to use the same inspection checklists as Liquor & Gaming uses for off-reserve casinos. Liquor & Gaming reviews the reports it receives from IGR. For example, Liquor & Gaming evaluates how IGR monitors table games in on-reserve casinos based on IGR's inspection reports. Liquor & Gaming looks for instances where IGR identified regulatory deficiencies (e.g., card-dealer behaviour) but did not ensure those deficiencies were dealt with promptly. In addition, Liquor & Gaming and IGR annually conduct joint inspections of table games in casinos on reserves.

Liquor & Gaming's evaluation of IGR's licensing and monitoring of other on-reserve charitable gaming activity focuses on compliance with the *Criminal Code*. The *Criminal Code* has two requirements for charitable gaming: only charitable groups may be licensed and the groups must use any money raised for charitable purposes. When reviewing IGR's annual licensing report, Liquor & Gaming told us it assesses if the groups that IGR licenses (e.g., to operate bingos) are charitable and if the intended use of money raised is charitable. The Licensing Agreement provides extensive guidance on eligibility as a charitable group and acceptable charitable uses of the proceeds of charitable gaming.

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[5] In 2007, the Licensing Agreement "grandfathered" specific groups actively involved in unlicensed gaming on reserves.

Liquor & Gaming also evaluates IGR's compliance with the Licensing Agreement through periodic reviews of IGR's operations by an independent external expert. The Licensing Agreement requires these external reviews after IGR has operated for one year, three years, and thereafter every five years. Liquor & Gaming received the first external review of IGR's operations in 2009. In general, the review was positive.

Liquor & Gaming has not identified key risks to charitable gaming. Liquor & Gaming analyzes the results of reports and monitoring inspections without identifying key risks. As a result, its staff might not focus attention on addressing those key risks when working with IGR staff. For lesser risks, Liquor & Gaming staff identify action required and informally communicate the actions to IGR staff (e.g., by phone or in emails). In 2009, Liquor & Gaming began identifying corporate risks but not those related to charitable gaming.

3. **We recommend that the Liquor and Gaming Authority identify key risks to charitable gaming and use them to focus its evaluation of the Indigenous Gaming Regulators' compliance with the Licensing Agreement.**

Liquor & Gaming's senior management receives primarily verbal reports from its staff about their evaluation of IGR's compliance with the Licensing Agreement. In 2010, Liquor & Gaming began to prepare brief reports showing its analysis of how IGR inspected casino table games on reserves (based on IGR's reports). However, Liquor & Gaming does not record its evaluation of IGR's compliance with the Licensing Agreement for other charitable gaming on reserves (e.g., bingos, break-open tickets, raffles). Over time, lack of compliance with the Licensing Agreement could cause inconsistent application of charitable gaming regulations in the Province. Written reports would help Liquor & Gaming communicate required adjustments to IGR.

4. **We recommend that the Liquor and Gaming Authority's senior management receive timely, summarized, written reports of its quarterly and annual evaluations of the Indigenous Gaming Regulators' compliance with the Licensing Agreement for charitable gaming.**

Taking action to promote compliance

We expected Liquor & Gaming to take action to promote compliance and consistent application of the charitable gaming regulations by:

- *communicating the required actions to IGR*
- *monitoring the timely completion of required actions*

Liquor & Gaming takes action when it has concerns about compliance with the Licensing Agreement and informally monitors IGR's completion of required actions.

Usually, Liquor & Gaming communicates required actions to IGR informally. Liquor & Gaming and IGR staff often exchange emails and phone calls. The emails show Liquor & Gaming helps IGR analyze a variety of regulatory situations and advises on the required action. For example, Liquor & Gaming may help IGR evaluate a group's eligibility for a charitable gaming license or the group's use of money raised through charitable gaming.

Sometimes Liquor & Gaming and IGR agree in their joint committee meetings to adjust their responsibilities or change the terms and conditions for licensing charitable gaming. These decisions are not documented formally although the joint committee verbally approves these decisions as the Licensing Agreement requires.

Liquor & Gaming monitors timely completion by IGR of actions agreed upon during meetings of the joint committee. Liquor & Gaming also monitors these actions informally through emails and phone calls. Sometimes Liquor & Gaming's review of IGR's quarterly casino inspection reports is also helpful in assessing if required actions are completed. This ad hoc approach is working at present but could put at risk the working relationship shared by Liquor & Gaming and IGR.

Informal processes leading to changes in formal regulatory agreements may create the risk of future disagreements about expected responsibilities. Informal discussion of proposed changes is necessary. However, the proposed changes and the reason for the changes should be clearly recorded before regulatory agreements are formally changed.

Lack of a clear record of proposed changes could contribute to misunderstandings. It could also lead to inconsistently regulated gaming through differing interpretations of what was agreed. In addition, a historical record of agreed changes could make future revisions to the regulatory agreement more efficient. Such a record should include the rationale for the required action or change, should be sufficiently detailed to facilitate action, and should be dated to help monitor completion of those actions.

5. **We recommend that the Liquor and Gaming Authority keep a written record of required actions and proposed changes to its Licensing Agreement for charitable gaming as agreed upon with Indigenous Gaming Regulators Inc.**

Selected references

Australian National Audit Office. (March 2007). *Administering regulation: Better practice guide*. Canberra, Australia: Author.

Manitoba Auditor General. (2003). *Dakota Tipi First Nation Gaming Commission and First Nation gaming accountability in Manitoba*. Winnipeg: Author.

Ontario Auditor General. (2005). Chapter 3.03 – Charitable gaming. In *2005 annual report*. Toronto: Author.

Saskatchewan Provincial Auditor. (2002). Chapter 6A - Saskatchewan Liquor and Gaming Authority: Key risks. In *2002 Fall Report – Volume – 2*. Regina: Author.

Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on the recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[6]

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[6] For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
Liquor and Gaming Authority		
2007	PAC concurs: 7-2 that the Liquor and Gaming Authority should prepare a complete plan for encouraging responsible use of beverage alcohol.	**Partially implemented** (as at March 31, 2009). Follow-up is planned for 2011.
2007	PAC concurs: 7-3 that the Liquor and Gaming Authority should continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.	**Partially implemented** (as at March 31, 2009). Follow-up is planned for 2011.
2009	PAC concurs: 8A-1 that the Liquor and Gaming Authority document and communicate potential competency gaps.	**Partially implemented** (as at March 31, 2009). Follow-up is planned for 2011.
2009	PAC concurs: 8A-3 that the Liquor and Gaming Authority document and monitor the progress of its succession strategies.	**Partially implemented** (as at March 31, 2009). Follow-up is planned for 2011.

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[7] "PAC Report Year" refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Saskatchewan Indian Gaming Authority Inc.

15B

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Main points

Saskatchewan Indian Gaming Authority Inc. (SIGA) needs to improve its guidance to employees to protect public money from loss due to error or fraud by:

- completing and implementing its human resources plan to ensure its employees have the appropriate competencies
- preparing an information technology strategic plan
- completing a disaster recovery plan to help ensure that it can continue to provide information technology services in the event of a disaster
- improving its processes to manage changes to systems and data
- periodically reviewing user access for appropriate segregation of duties

SIGA should improve training and supervision of its employees. SIGA must ensure its employees are following its processes for bank reconciliations, controlling capital assets, and computer passwords.

We followed up on the recommendations made as a result of the 2009 loss of $1.2 million of public money. SIGA has implemented most of our recommendations related to the loss except it needs agreements with suppliers and service providers of all automated tellers machines at its casinos outlining the roles and responsibilities of each party.

SIGA must comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* by assessing and documenting the risk of money laundering or terrorist financing offences at its casinos. SIGA also needs to develop and maintain a compliance training program to aid its employees in identifying these types of transactions.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. The Liquor and Gaming Authority (Liquor & Gaming) has licensed SIGA to operate six casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, Bear Claw, Dakota Dunes, and Living Sky.

All casinos, except for Living Sky, are located on First Nation reserves.[1] Northern Lights Casino is located in Prince Albert, Gold Eagle Casino is located in North Battleford, Painted Hand Casino is located in Yorkton, Bear Claw Casino is located on the White Bear First Nation, Dakota Dunes is located on the Whitecap First Nation, and Living Sky is located in Swift Current. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

As required by section 207 of the *Criminal Code*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming.

Under the 2002 Casino Operating Agreement,[2] Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs, determined by Liquor & Gaming, for operating casinos. SIGA must remit the remainder to Liquor & Gaming. Also, the 2002 Casino Operating Agreement allows SIGA to recover, in any year, net losses from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

Table 1 summarizes the results of SIGA's casino operations. The casino operations include slot machines, ancillary, (i.e., gift shops, restaurants, and lounges), and table games operations. The table shows the net casino profits that SIGA made for Liquor & Gaming during the last five years.

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[1] Living Sky Casino has applied to the Federal Government for urban reserve status.

[2] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Table 1 – Net profits (in $000) from SIGA operated casinos

Segment	2010	2009	2008	2007	2006
Slot operations profit	$ 75,468	$ 78,685	$ 68,355	$ 52,695	$ 43,653
Ancillary operations loss	(11,472)	(9,399)	(6,143)	(3,091)	(2,593)
Table operations loss	(3,755)	(2,066)	(1,106)	(767)	(902)
Distributable net profit	60,241	67,220	61,106	48,837	40,158
Unrealized gain (loss) on interest rate swaps	4,867	(7,346)	(3,014)	---	---
Net profit	$ 65,108	$ 59,874	$ 58,092	$ 48,837	$ 40,158

Background

In 2002, the Government of Saskatchewan and the FSIN signed a Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Agreement continued to allow the development and operations of casinos in Saskatchewan within the parameters of the *Criminal Code.*

Liquor & Gaming and SIGA also signed a Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

Under the 2002 Casino Operating Agreement, SIGA can deduct from slot machine revenues the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming. SIGA must deposit the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

If Liquor & Gaming determines that any expenses SIGA incurred did not follow the approved policies and directives, it may recover such expenses from future amounts due to the First Nations Trust Fund because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations agencies that receive money from the First Nations Trust Fund bear the cost when SIGA incurs expenses that are not in accordance with approved policies and directives.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming.

Audit conclusions and findings

To form our opinions, our Office worked with SIGA's appointed auditor, Deloitte & Touche LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[3]

In our opinion, for the year ended March 31, 2010:

- **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**
- **SIGA's financial statements are reliable**

Controls to safeguard public resources

In our past reports to the Legislative Assembly of Saskatchewan, we made several recommendations to strengthen SIGA's processes to safeguard public resources. SIGA accepted our recommendations. In this chapter, we make six new recommendations and repeat five from our past reports.

Well-performing agencies do three things to have effective controls to safeguard public resources. First, their management provides effective guidance to employees. Second, they require management to train employees and supervise employee compliance with the established guidance. Third, they monitor progress towards achieving their established goals. We provide our findings below.

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[3] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Effective guidance to employees

In our 2009 Report – Volume 3 and our past reports, we said SIGA needed to document and communicate all policies to its employees. Documented policies provide employees ready guidance to understand and follow. SIGA has documented and communicated policies for all areas except those noted below.

Information technology (IT) strategic plan needs improvement

In past reports, we recommended that management review and the Board approve an information technology (IT) strategic plan.

In 2006, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

In February 2008, SIGA's Board approved an IT strategic plan. However, that plan does not have all of the key elements of a good IT strategic plan. SIGA's approved IT strategic plan does not contain an analysis of its current environment, an assessment of key threats and risks, long-term planning, and estimated resources required to carry out the plan. SIGA has not done any further work on its IT strategic plan.

We continue to recommend that SIGA's management review and the Board approve an information technology strategic plan.

Disaster recovery plan needed

In our 2009 Report – Volume 3 and our past reports, we recommended that SIGA prepare a complete disaster recovery (DRP) plan and assess the need for a business continuity plan (BCP).[4] SIGA needs a written, tested, and approved disaster DRP to help ensure that it can continue to provide IT services in the event of a disaster. In March 2009, PAC agreed with our recommendation.

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[4] **Business Continuity Plan** (BCP) - Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.
Disaster Recovery Plan (DRP) - Plan by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system. A DRP is one component of a business continuity plan.

SIGA places significant reliance on its IT systems to operate. One of SIGA's main gaming systems is operated by an outside service provider that does have an adequate DRP. SIGA's reliance on the other IT systems is critical. However, SIGA does not have a complete DRP for all of its other systems. Without an adequate DRP, SIGA may not be able to operate its casinos resulting in a loss of revenue.

SIGA also needs to assess the requirement for a BCP by completing a threat and risk assessment. A BCP would help SIGA recover critical business functions in the event of a disaster.

We continue to recommend that SIGA prepare a complete disaster recovery plan and assess the need for a business continuity plan.

Complete and implement a human resource plan

In our 2003 Report – Volume 3, we examined SIGA's processes to build human resource capacity and made four recommendations. We recommended that SIGA: complete and implement its human resource plan, ensure its casinos consistently follow established human resource policies, prepare and provide to the Board more information about how SIGA is managing its staff retention risks, and prepare and provide to the Board more information about the effectiveness of SIGA's training activities. In 2004, PAC agreed with our recommendations.

Since 2003, SIGA has taken action on all of these recommendations. It has improved its processes to ensure the casinos follow established human resource policies and has provided the Board with more information on staff retention risks and the effectiveness of training activities. SIGA has also developed a draft 2009-2014 human resource plan. This human resource plan includes most of the key elements of a sound human resource plan. However, the plan does not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees). As a result, SIGA does not know its future human resource needs and how it will access those resources. A complete human resource plan would help to ensure that SIGA has staff with appropriate qualifications and experience. SIGA needs this information to carry out its strategic plan.

We continue to recommend SIGA complete and implement its human resource plan.

Need to manage changes to systems and data

SIGA's policies do not restrict roles and responsibilities of IT staff.

IT application developers for some of SIGA's main applications have the ability to both develop and make system changes without authorization. Lack of segregation of duties between the development and implementation functions in an IT environment increases the risk of unauthorized and incorrect changes to systems and data resulting in errors in financial information.

1. **We recommend that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes.**

Review of user access needed

SIGA does not review IT user access or segregation of duties for application user accounts to ensure that access granted is required and consistent with each employee's job responsibilities. Lack of such reviews increases the risk of unauthorized access to systems and data resulting in incorrect changes to systems and data.

2. **We recommend that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts.**

Training and supervision of employees

In our 2009 Report – Volume 3 report, we said SIGA must train and supervise its employees so that they follow SIGA's established processes to safeguard public resources. SIGA needs to do more to ensure employees follow its established policies.

We describe below areas where SIGA needs to do more.

Controlling bank accounts

In our 2009 Report – Volume 3, we recommended that SIGA supervise its employees' compliance with SIGA's policies and procedures for bank reconciliations. In June 2010, PAC agreed with our recommendation.

SIGA's processes require employees to agree (i.e., reconcile) its recorded bank balances to the bank's records each month. This process helps ensure proper recording of transactions and early detection of any errors or fraud.

During the year, employees did not reconcile all bank accounts monthly.

SIGA's policies also require employees at each casino to reconcile automated teller machine (ATM) transactions recorded by ATM suppliers to SIGA's bank records daily and resolve differences promptly. However, employees did not consistently reconcile ATM transactions at the casinos and did not resolve all differences in a timely manner.

We continue to recommend that SIGA supervise its employees' compliance with SIGA's policies and procedures for bank reconciliations.

Control over assets needed

SIGA employees did not follow established policies to control capital assets.

SIGA requires employees to periodically count its capital assets and compare the counts to the accounting records. However, employees have not done a complete count of capital assets at all casinos. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

3. **We recommend that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets.**

Need to follow password settings and requirements

SIGA employees do not follow established policies for IT password settings.

SIGA has established access password setting requirements for its systems and data. However, it does not require users to follow the password settings for its financial system application. Appropriate password settings would help reduce the risk of unauthorized users accessing financial data.

4. **We recommend that Saskatchewan Indian Gaming Authority Inc. follow its computer password setting policy.**

Review and approval of journal entries needed

SIGA requires employees to review and approve journal entries (adjustments to accounting records) before making those adjustments. However, employees did not always review and approve payroll and other adjustments for several months after making such adjustments.

Lack of timely review and approval of such adjustments increases the risk of loss of public money due to fraud or errors without timely detection.

5. **We recommend that Saskatchewan Indian Gaming Authority Inc. follow its policy of timely review and approval of journal entries.**

Follow-up on investigation of loss of public money

In our 2009 Report – Volume 3 report, we reported the results of our investigation of the loss of $1.2 million of public money at SIGA during the year. We made six recommendations. SIGA has taken action on these recommendations. We describe below one area where SIGA needs to do more.

Agreements with ATM suppliers needed

In our 2009 Report – Volume 3, we recommended that SIGA make agreements with suppliers and service providers (switch providers) of all automated teller machines at its casinos. In June 2010, PAC agreed with our recommendation.

Although SIGA puts public money into the ATMs, it has allowed casino site landlords to make agreements with the ATM suppliers. By doing so, SIGA lost the right of issuing directives to switch providers who collect money from patron's banks and deposit that money into designated bank accounts. Because SIGA did not have direct agreements with the switch providers, SIGA was at risk that ATM suppliers could direct the switch providers to deposit money into a different bank. This scenario occurred at one of the casinos in 2009 and resulted in a loss of public money. During 2010, SIGA has changed its process and is tendering for an ATM supplier with the intention of entering into a contract with the selected supplier for all casino sites.

We continue to recommend that SIGA make agreements with suppliers and service providers (switch providers) of all automated teller machines at its casinos.

Non-compliance with the law

SIGA needs to comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the Act).

Under the Act, SIGA is required to assess and document the risk of money laundering or terrorist financing offences at its casinos. The Act also requires SIGA to develop and maintain a compliance training program for its employees so that employees can identify potential money laundering or terrorist financing activities and document them for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

SIGA has not yet fully complied with the requirements. SIGA employees did not always properly complete and submit to FINTRAC the required forms for any transactions greater than $10,000 at SIGA casinos.

Non-compliance with the Act could result in penalties and loss of public confidence in SIGA.

6. **We recommend that Saskatchewan Indian Gaming Authority Inc. comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act.***

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Indian Gaming Authority Inc. (Project Management Processes–Dakota Dunes Casino)		
2009	PAC concurs: 8-3 that the Saskatchewan Indian Gaming Authority have dispute resolution processes with its key partners before starting major construction projects	**Not implemented** (as at March 31, 2010).

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[5] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Municipal Affairs

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Main points

The Ministry of Municipal Affairs (Municipal Affairs) along with the Federal Government assists municipalities with funding for infrastructure. Projects to build or upgrade municipal infrastructure may create risks for the environment. Municipal Affairs is responsible to monitor whether municipalities comply with environmental assessment provisions in federal-provincial infrastructure agreements. Municipal Affairs had adequate processes to monitor municipalities' compliance in this area.

Introduction

The Ministry of Municipal Affairs (Municipal Affairs) works closely with municipalities, their representative organizations, and other provincial ministries to help ensure effective local government and sustainable municipal infrastructure and services. Municipal Affairs also provides the legislative framework as well as some technical and policy support for cities, urban, rural, and northern municipalities.[1]

This chapter sets out the results of our audit of Municipal Affairs for the year ended March 31, 2010. Also, it includes the results of our audit of Municipal Affairs' processes to monitor municipalities' compliance with environmental assessment provisions in federal-provincial infrastructure agreements.

Special purpose fund and agency

At March 31, 2010, Municipal Affairs was responsible for the following Crown agency and special purpose fund (agencies):

	Year-end
Municipal Potash Tax Sharing Administration Board	December 31
Northern Municipal Trust Account	December 31

Each year, the Legislative Assembly (Assembly) receives the annual audited financial statements of each of the above agencies. Our 2010 Report – Volume 1 includes our audit conclusions of these agencies.

Financial overview

For the year ended March 31, 2010, Municipal Affairs had revenues of $79.3 million (including $78.5 million from the Federal Government) and had expenses of $410 million. The following is a list of major programs and spending for the year ended March 31, 2010.

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[1] Ministry of Municipal Affairs. (2010). 2009-10 Annual Report. Regina. Author.

	Original Estimates	Actual
	(in millions of dollars)	
Central Management and Services	$ 4.8	$ 4.7
Municipal Financial Assistance	265.8	337.7
Municipal Relations	7.4	7.8
Federal Municipal Assistance	60.2	58.5
Saskatchewan Municipal Board	1.5	1.3
Subtotal	$ 339.7[2]	$ 410.0

Municipal Affairs' 2009-10 Annual Report contains information about its revenues and expenses including reasons for significant differences between actual amounts and estimates.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **Municipal Affairs had adequate rules and procedures to safeguard public resources**
- **Municipal Affairs complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Monitoring municipalities' compliance with environmental assessment provisions

Background

To be sustainable, communities need infrastructure for clean water, the disposal of waste, recreation, and transportation. The federal and provincial governments support municipalities with funding to help them build and maintain water treatment plants, sewage treatment plants, streets, bicycle paths, community arenas, and other infrastructure. These three levels of government sign funding agreements that set out the steps municipalities must take to obtain the infrastructure funding.

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[2] The Legislative Assembly approved through Supplementary Estimates an additional $77.7 million for Municipal Financial Assistance.

Municipal Affairs is responsible to monitor whether municipalities meet the requirements of infrastructure agreements when it gives the funding to the municipalities. Municipal Affairs must monitor hundreds of infrastructure projects as municipalities may request funding for multiple projects over the term of various types of agreements.

To reduce risks to the environment, environmental legislation requires environmental assessments for some infrastructure projects.[3] Lack of environmental assessments or failure to correct problems could result in damage to the water supply, wildlife habitats, or public health. Federal-provincial infrastructure agreements require municipalities to comply with environmental assessment legislation and require Municipal Affairs to monitor municipalities' compliance. If municipalities do not comply with the provisions of infrastructure agreements, Municipal Affairs can withhold or require repayment of infrastructure funding.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy, during the twelve months ended August 31, 2010, of Municipal Affairs' processes to monitor municipalities' compliance with environmental assessment provisions in federal-provincial infrastructure agreements. In particular, we audited processes to monitor compliance with environmental assessment provisions in the five following infrastructure agreements:

1. Municipal Rural Infrastructure Fund Agreement 2004-2010 (MRIF)
2. Provincial-Territorial Base Funding Agreement 2007-2017 (PT Base)
3. Building Canada Fund—Communities Component Agreement 2007-2017 (BCF)
4. Agreement on Transfer of Federal Gas Tax Revenues—Cities and Communities 2005-2015 (Gas Tax)
5. Infrastructure Stimulus Fund Agreement 2009-2011 (ISF)

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate Municipal Affairs' processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Municipal Affairs agreed with the criteria in Exhibit 1.

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[3] The *Canadian Environmental Assessment Act, 1992* and *The Saskatchewan Environmental Assessment Act, 2002* establish if environmental assessments are required when building infrastructure.

Exhibit 1—Audit criteria for monitoring municipalities' compliance

To have adequate processes to monitor municipalities' compliance with environmental assessment provisions in federal-provincial infrastructure agreements, Municipal Affairs should:

1. Establish an appropriate framework to monitor compliance
    1.1. Establish clear roles and responsibilities
    1.2. Provide guidance on expected processes
    1.3. Require information about environmental assessments

2. Evaluate compliance
    2.1. Assign responsibility for monitoring
    2.2. Analyze results of monitoring procedures
    2.3. Identify required actions to address key risks
    2.4. Report non-compliance

3. Take action to improve compliance
    3.1. Communicate required actions to municipalities
    3.2. Monitor timely completion of required actions
    3.3. Report progress toward compliance

We concluded that, during the twelve months ended August 31, 2010, the Ministry of Municipal Affairs had adequate processes to monitor municipalities' compliance with environmental assessment provisions in federal-provincial infrastructure agreements.

Key findings

In the following sections, we set out our key findings related to each of the criteria in Exhibit 1. Our expectations (criteria) are set out in italics.

Establishing a framework to monitor compliance

In its framework to monitor compliance with environmental assessment provisions in federal-provincial infrastructure agreements, we expected Municipal Affairs to:

- *establish clear roles and responsibilities*
- *provide guidance on expected processes*
- *require information about environmental assessments*

Municipal Affairs uses a framework of formal funding agreements to establish and monitor what municipalities must do to comply with environmental assessment provisions. Generally, there are two types of agreements for each funding program (e.g., BCF program, Gas Tax program). A multi-year agreement (infrastructure agreements) describes the funding program and outlines what municipalities must do to obtain the funding. A provincial-municipal funding agreement (funding agreement) states in more detail what the municipality must do.

The infrastructure agreements we audited establish clear responsibilities for municipalities and Municipal Affairs. These agreements also guide municipalities to take the required steps to obtain funding for their infrastructure projects. In addition, Municipal Affairs employs program advisors whose role includes helping the municipalities to understand the requirements of each infrastructure agreement.

The nature of the funding agreement influences the reports required. Each of the infrastructure agreements require each municipality to comply with "legislated environmental assessment requirements." Municipal Affairs reinforces this requirement in its provincial-municipal funding agreements. Usually, these agreements require the municipality to arrange for a federal agency[4] or engineering firm to do an environmental assessment.

Four of the funding agreements (i.e., MRIF, PT Base, BCF, and ISF) require municipalities to submit information to Municipal Affairs before Municipal Affairs releases funds. The municipality must state that it completed the required environmental assessment.

Under the Gas Tax agreement, Municipal Affairs provides federal per capita funding to municipalities upon receipt of an infrastructure investment plan. In these brief plans, municipalities outline eligible projects and the anticipated environmental benefits (e.g., better quality water). The Gas Tax agreement expects Municipal Affairs to distribute Gas Tax funds annually to municipalities, allowing them to accumulate funds before infrastructure projects begin.

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[4] Western Economic Diversification Canada, a department of the Government of Canada, arranges for completion of environmental assessments for many infrastructure agreements. It does not arrange environmental assessments under the Gas Tax Agreement.

Management monitors overall compliance with the Gas Tax agreement using a risk-based approach. Municipal Affairs reminds municipalities to comply with environmental assessment provisions at various times (e.g., in the funding agreement and in letters that approve municipal infrastructure plans). Management advised us that most Gas Tax projects do not require an environmental assessment due to the nature of the projects (e.g. roof replacement).

Evaluating compliance and identifying risks

To evaluate the compliance of municipalities with the environmental assessment provisions in infrastructure agreements, we expected Municipal Affairs to:

- *assign responsibility for monitoring*
- *analyze results of monitoring procedures*
- *identify required actions to address key risks*
- *report non-compliance*

Municipal Affairs assigns a civil engineer with knowledge of environmental science to supervise most of its infrastructure funding programs. Municipal Affairs also assigns program advisors and analysts to monitor municipalities' compliance with specific funding agreements.[5] Municipal Affairs trains these employees on the job.

When municipalities request funding from most infrastructure programs (i.e., MRIF, PT Base, BCF, and ISF), program advisors monitor whether the municipality meets the environmental assessment requirements of the agreement. For example, the program advisors use a checklist to monitor that Municipal Affairs received all required reports. If a municipality fails to submit a required report, the checklist documents that fact, the action taken, and the results. For example, if the checklist shows that the report of an environmental assessment is missing from the file, the checklist will also show when Municipal Affairs contacted the municipality, and whether the municipality immediately submitted the required report.

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[5] Also, Municipal Affairs hires employees with demonstrated analysis and critical thinking skills.

Municipal Affairs monitors hundreds of infrastructure projects. To make this process efficient, a software program tracks actions related to specific projects[6] and spreadsheets help Municipal Affairs analyze the results of its monitoring procedures. This allows Municipal Affairs to analyze whether municipalities consistently comply with environmental assessment requirements. For the Gas Tax program, Municipal Affairs tracks its receipt of a report outlining the environmental benefits of the infrastructure project (e.g., better quality water).

Municipal Affairs uses the environmental assessment reports it receives to identify key risks (e.g., for MRIF, PT Base, BCF). For example, if a municipality needs another well to enhance its water supply, it must dig the new well in a specific, safe location. Municipal Affairs then uses its own monitoring processes to identify further key risks during the project. For example, if a municipality changes the project design (such as the well's location), Municipal Affairs asks for another environmental assessment.

Before each interim or final payment to a municipality for all funding programs, Municipal Affairs staff complete a checklist and use it to document actions required to address risks. Risks could involve construction delays, missing permits (e.g., to build a water treatment plant), or failure to arrange for a required environmental assessment or mitigation step.[7] For example, if local weather conditions delay a building project, Municipal Affairs documents the delay and the date that the municipality expects to resume the project.

Municipal Affairs staff verbally report minor non-compliance to a manager (e.g., required documents submitted late). Municipal Affairs reports serious non-compliance to an oversight committee, explaining the nature of the problem and recommending action.

For the MRIF and BCF infrastructure programs, the oversight committee consists of senior managers representing the federal and provincial governments and holds monthly telephone conference calls. The oversight committee has the authority to decide what action the municipality must take to address risks for all types of infrastructure agreements. The committee keeps detailed minutes of its decisions. It identifies decisions that set a precedent so that it can make consistent decisions over time.

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[6] In 2009, Municipal Affairs created the Municipal Grant Administration Program (MGAP), a specialized payment system to track and manage payments. MGAP stores project information, applicant information, project start dates, municipal council resolutions, environmental assessment determinations, funding, etc. In addition, MGAP can generate letters to recipients, pulling information directly from the database.

[7] An environmental assessment report sets out any mitigation steps that the municipality must take during or after the project (e.g., obtain building permits, use safety practices, replace in another location a fish habitat damaged by a building project). Municipal Affairs often lists environmental mitigation steps in a schedule added to the funding agreement.

For the Gas Tax program, the oversight committee has representatives of federal and provincial governments and the municipalities.[8] In early 2010, the Gas Tax oversight committee adopted a compliance strategy. This strategy guides Municipal Affairs to withhold funds from municipalities that repeatedly do not comply with significant provisions of the funding agreement.

Taking action to improve compliance

To take action to improve municipalities' compliance with the environmental assessment provisions in infrastructure agreements, we expected Municipal Affairs to:

- *communicate required actions to municipalities*
- *monitor timely completion of required actions*
- *report progress toward compliance*

Municipal Affairs finds that municipalities rarely proceed with an infrastructure project without completing the required environmental assessment and mitigation steps. In the unusual event that a municipality fails to comply with the funding agreement in this way, Municipal Affairs communicates with the municipality by telephone and letter. Municipal Affairs verbally alerts the municipality to the problem. Then, Municipal Affairs sends a letter explaining actions the municipality must take to retain funding received to date and receive the final payments. Failure to comply with the required actions could mean that the municipality must repay any funds it received.

The letter includes the date by which the municipality should complete the required action. This makes it possible for Municipal Affairs to monitor the timely completion of those required actions. Program advisors monitor required actions when municipalities do not comply with the requirements set out in their funding agreement. In addition, program auditors review each project's documents before authorizing payments and withhold funds if the municipality has not complied with environmental or other requirements.

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[8] The Gas Tax Oversight Committee is also called the New Deal Partnership Committee.

Municipal Affairs reports progress toward compliance to the oversight committee at its regular meetings. This enables Municipal Affairs to make timely decisions (e.g., if necessary, to declare a municipality in default of its agreement).

If necessary, Municipal Affairs can withdraw public funds from the infrastructure project until the situation is resolved. However, the oversight committee most often guides municipalities to comply with funding agreements in ways that protect the environment and meet municipalities' need for infrastructure.

Selected references

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Office of the Executive Council

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Main points

The Office of the Executive Council (Office) needs to follow its processes for removing unneeded user access to its information technology systems and data.

We also provide an update on the status of an outstanding recommendation made by the Standing Committee on Public Accounts (PAC) in its 2007 report. The Office should complete the development of systems to measure work performed and results achieved for its key performance measures. The Office has not made any progress on this recommendation.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Office of the Executive Council (Office) and set out the results of our March 31, 2010 audit of the Office.

As well, the chapter provides an update on the status of a previous recommendation of the Standing Committee on Public Accounts (PAC).

Background

The Office facilitates and communicates decisions of the Executive Council (Cabinet). The Office:

- provides research, analysis, and policy advice to Cabinet and its committees
- coordinates policy development and government communications and manages Cabinet records
- coordinates, under the direction of the President of the Executive Council (the Premier), all matters involving relationships with other governments

The Office provides support to the Premier in his roles as Head of Government, Chair of Cabinet, and Head of the political party with a mandate to govern.

The Office received appropriations totalling $13.1 million[1] from the General Revenue Fund in 2009-10 and spent this money on its programs. The Ministry's expenses by major program are as follows:

	Original Estimates	Actual
	(Millions of dollars)	
Central Management and Services	$ 5.8	$ 5.1
Premier's Office	0.5	0.5
Cabinet Secretariat and Cabinet Planning	1.5	1.5
Communications Office	1.5	1.4
House Business and Research	0.5	0.4
Members of the Executive Council	0.2	0.2
Intergovernmental Relations	3.1	2.7
	$ 13.1	$ 11.8

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[1] Appropriations received were for Executive Council and for the former Ministry of Intergovernmental Affairs which was transferred to Executive Council in May 2009.

Audit conclusion and findings

In our opinion, for the year ended March 31, 2010:

- **the Office had adequate rules and procedures to safeguard public resources except for the matter described below**
- **the Office complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Monitoring information technology (IT) systems and data

The Office did not follow its established processes for removing unneeded user access to its IT systems and data on a timely basis. The Office removes user access by sending a service request to the Information Technology Office (ITO). The Office has adequate processes for removing user access for individuals who no longer work for the Office or who have changed roles and do not require such access.

However, employees did not always follow the established process. We noted instances where access to the network was not removed promptly. Delays in removing unneeded access increases the risk of inappropriate access and unauthorized changes to the Office's systems and data.

1. **We recommend that the Office of the Executive Council follow its processes for removing unneeded user access to its information technology systems and data promptly.**

Status of a previous recommendation of the Standing Committee on Public Accounts

The following exhibit provides an update on a recommendation previously made by PAC that is not yet implemented and is not discussed earlier in this chapter.[2]

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[2] For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Office of the Executive Council		
2007	PAC concurs: 18-2 that the Office of the Executive Council should complete the development of systems to measure work performed and results achieved for its key performance measures.	**Not implemented** (as at March 31, 2010). No progress in year.

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[3] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Public Service Commission

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Main points

The Public Service Commission (PSC) is responsible for implementing the Government's 2005 policy requiring criminal record checks of certain ministry employees. It designated 11,998 positions as requiring a criminal record check and by September 2010, 10,755 of those employees submitted criminal record checks. PSC expects to fully implement this policy by February 2012. PSC needs to complete criminal record checks to properly protect citizens from loss of public money.

PSC is improving its processes to develop leaders for senior management positions in government ministries. However, it had not completely implemented our 2009 recommendations at June 30, 2010.

Also, PSC needs to follow its established procedures to remove unneeded user access to its systems and data promptly.

Introduction

Under *The Public Service Act, 1998*, the Public Service Commission (PSC) is the central human resources agency for about 12,000 staff employed primarily by Government ministries.

PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with Ministries in the delivery of human resource services.[1]

The following is a list of PSC's major programs and spending. For further details and variance explanations, see PSC's 2009-10 Annual Report available on its website www.psc.gov.sk.ca.

	Original Estimates	Actual
	(in thousands of dollars)	
Human Resource Client Service and Support	$ 18,642	$ 17,126
Central Management and Services	4,919	5,632
Corporate Human Resources and Employee Relations	3,155[2]	15,412
Employee Service Centre	10,119	10,617
Capital Asset Amortization	1,250	1,442
	$ 38,085	$ 50,229

This chapter contains the results of our audit of PSC for the year ended March 31, 2010. Also, the chapter provides an update on recommendations from our 2008 examination on PSC's processes to develop leaders.

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[1] *Public Service Commission 2009-10 Annual Report*. Regina: Author.

[2] For the year ended March 31, 2010, Cabinet authorized a special warrant for additional spending of $12 million; the Assembly later approved this amount through an appropriation act.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **PSC had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **PSC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Controlling user access to computer systems and data

During 2009-10, PSC did not follow its established procedures for granting and removing user access to its computer systems and data.

PSC uses its computer systems and data to manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions. Some of the data included in PSC's systems is confidential.

We found that PSC managers did not make timely requests to remove user access for terminated employees.

Without following its established procedures for removing user access, PSC cannot ensure that only authorized individuals have access to its computer systems and data. As a result, PSC is exposed to the risk of loss of public money and/or inappropriate access to confidential information.

1. **We recommend that the Public Service Commission follow its established procedures for removing user access to its computer systems and data.**

Implementation of criminal record checks

Since our 2005 Report – Volume 1, we have recommended that the ministries (formerly departments) of Community Resources and Employment and Environment assess the risk of loss of public money by employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) and reduce this risk to an acceptable level (e.g., by providing insurance coverage or requiring criminal record checks).[3] The Standing Committee on Public Accounts (PAC) agreed with these recommendations in 2005.

In September 2005, the Government made PSC responsible for implementing its policy on obtaining criminal record checks for ministry staff in designated positions.

Criminal record checks are part of a prudent employment process that helps the Government:

- maintain public confidence in the public service
- ensure the safety of its employees, clients, and stakeholders
- ensure that public funds are securely administered

Under the Government's policy, PSC requires employees in designated positions to submit a satisfactory criminal record check by a stated deadline. In July 2009, PSC entered into an agreement with CUPE[4] to extend the deadline for CUPE incumbents[5] to February 2012. During 2009-10, it continued to obtain and review submitted criminal record checks. Exhibit 1 provides statistics on the number of designated positions requiring a criminal record check and employees who have submitted them along with deadline dates. Exhibit 2 provides a brief summary of the policy and PSC's related activities.

Exhibit 1 – statistics on criminal record checks

	Number of designated positions requiring criminal record check	Number of employees who have submitted criminal record checks	Deadline dates to submit satisfactory criminal record check
At September 2009	10,908	7,687	September 2010 and every five years thereafter
At September 2010	11,998	10,755	September 2010 (for all employees except CUPE members) or by February 2012 (for CUPE members) and every five years thereafter

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[3] Our 2005 Report – Volume 1 (Chapter 6 – Community Resources and Employment, Chapter 7 – Environment) includes detailed audit findings.

[4] Members of the Canadian Union of Public Employees Local 600.

[5] PSC 2009-10 Annual Report (p. 25) reports CUPE employees account for 4.7% (i.e., 585) of the total ministry employees (i.e., 12,348) employed at March 31, 2010.

PSC needs to complete criminal record checks to properly protect citizens from loss of public money.

Exhibit 2 – Criminal record check policy and PSC's related activities

Effective September 2005, PSC adopted a policy that requires employees in designated positions hired under *The Public Service Act, 1998* to provide a satisfactory criminal record check on initial employment and periodically thereafter. Designated positions requiring criminal record checks include:

- positions entrusted with the care of, or intervention with, vulnerable clients
- positions involved in law enforcement/security
- positions involved in the administration of the criminal justice system
- positions responsible for the collection, receipt, disbursement, or expenditure of public money
- information technology positions with responsibility to modify operating systems (e.g., ability to establish or re-route client payments)
- positions that are required to deal with third party service delivery systems where the third party requires criminal record checks
- such other positions that are identified by government ministries and approved by the PSC

Prior to posting new positions, PSC completes an evaluation of the position before posting the job. For positions requiring a criminal record check, PSC includes this requirement in the job posting. Successful applicants must provide a satisfactory criminal record check before ministries make an offer of employment.

Except for CUPE members, incumbents in designated positions are required to submit a satisfactory criminal record check within five years from the date the policy was implemented (i.e., by September 2010) and every five years thereafter. In July 2009, PSC entered into an agreement with CUPE to extend the deadline for CUPE incumbents to submit satisfactory criminal record checks to February 2012. A satisfactory check is either a police report that there are no charges or convictions, or a determination by PSC that any reported charges or convictions are not relevant to the employee's position. Also, employees in designated positions must report any criminal charges or convictions as they occur. When these reports are relevant to an employee's position, PSC works with the ministry where the employee works to amend the job duties so that conflicts are eliminated. PSC updates the status of criminal record checks in its computer system which allows it to track and monitor compliance with the criminal record check policy.

Developing leaders—a follow-up

Background

Saskatchewan government ministries employ about 900 managers and about 160 senior leaders (e.g., executive directors, assistant and associate deputy ministers, and deputy ministers). PSC anticipates that half of ministries' senior leaders could retire by 2014 as well as nearly half of the managers who would usually replace them.[6]

Effective senior leadership is essential for ministries' success. Senior leaders inspire, persuade, direct, and hold others accountable to achieve specific outcomes. They set direction and motivate others to achieve the Government's objectives. Gaps in leadership could result in delayed services or poorly designed changes to government programs. Strategic coordination would help PSC develop leaders in time to fill key leadership positions effectively across all ministries.

This section describes our follow-up of management's actions up to June 30, 2010 on our past recommendations about developing leaders.

Our 2009 Report – Volume 1, Chapter 9 sets out the results of our audit of PSC's processes to develop leaders for senior management positions in government ministries. We concluded that, as of December 31, 2008, the Public Service Commission's processes to develop leaders for senior management positions were adequate except for:

- its processes to provide potential leaders with developmental work experiences and mentoring opportunities
- its processes to monitor and report on the readiness of ministries to meet their future leadership needs

We made three recommendations related to coordinated development of potential leaders across ministries. On September 1, 2009, PAC agreed with our recommendations. Implementation of these recommendations would reduce the risk of serious future gaps in leadership capacity within ministries.

The following sets out our past recommendations (in italics) and PSC's progress up to June 30, 2010. Overall, PSC had not completely implemented these recommendations at June 30, 2010.

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[6] *2006-10 Human Resource Plan for the Saskatchewan Public Service*, p.8 as updated by PSC.

PSC planning more mentorship opportunities

We recommended that the Public Service Commission use mentorship programs to help develop potential leaders in government ministries. Structured and formalized mentorship programs enhance other leadership development initiatives such as assigning developmental work, coaching, and training.

PSC is making progress in supporting potential leaders but does not have formal mentorship programs to help develop experienced government employees as potential leaders in government ministries. Since our audit, PSC has researched mentorship approaches and programs used in the public sector across Canada. PSC also continues to participate in an Executive Internship Program for graduate students, about half of whom become government employees.[7]

In addition, since late 2009, PSC has worked with Executive Council to move forward an "executive talent management" initiative to coordinate executive leadership talent across all ministries. The program will include a mentorship component. The Deputy Minister to the Premier supported this initiative by making mentorship an expected part of the role of deputy ministers. At June 30, 2010, PSC planned to meet with each of the deputy ministers during 2010 to secure their commitment to mentor experienced employees across ministries.

Developmental work experiences not yet coordinated

We recommended that the Public Service Commission coordinate programs that provide potential leaders in government ministries with suitable developmental work experiences. A coordinated program would more efficiently prepare a larger pool of candidates ready to fill vacant senior leadership positions.

As of June 30, 2010, PSC does not have a coordinated program to provide identified potential leaders with developmental work experience across ministries, but it is gaining support to move in that direction. On an ad hoc basis, PSC continues to link qualified, interested employees with ministries that have temporary vacancies in senior positions.

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[7] In 2009-10, PSC coordinated six internships for students of the University of Regina Master of Public Administration program. Interns are assigned work under the guidance of ministry senior leaders.

Through its "executive talent management" initiative, in 2010, PSC expects ministries to work together to identify and make available work experiences for ministry employees identified as potential or emerging leaders. These work experiences would include temporary assignments to positions of greater responsibility or roles requiring advanced skills (e.g., managing projects, developing budgets). In June 2010, the Deputy Minister to the Premier supported this initiative. In a letter outlining performance expectations for 2010-11, he asked all deputy ministers to use an "enterprise approach: acting as a single employer, and operating collaboratively across ministries."[8]

PSC recognizes that this collaborative approach may be challenging for ministries. Each ministry faces its own pressures and strives to retain emerging leaders. Taking a long-term perspective across ministries is essential. Emerging leaders who gain valuable experience in other ministries may develop skills more quickly and thus be ready to return to senior leadership positions in their home ministry when it needs them.

PSC reporting gaps/collecting leadership capacity data

We recommended that the Public Service Commission monitor and report regularly to deputy ministers on the readiness of government ministries to meet their future leadership needs. Deputy Ministers, including the Deputy Minister to the Premier, need a range of information to manage leadership needs and control human resources risks. Exhibit 3 sets out the range of information required to assess leadership readiness.

Exhibit 3

Information on ministries' readiness to meet their future leadership needs could include:

- the rate of turnover anticipated among ministry senior leaders including retirements, education or other leave
- the number of government employees interested in leadership positions across ministries
- employee participation in leadership training (whether taken independently or as part of a government-sponsored program)
- gaps in the skills or work experiences of potential leaders (e.g., capacity to analyze financial information or negotiation skills)

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[8] Excerpt of expectations letter for deputy ministers from the Deputy Minister to the Premier.

In June 2010, PSC was monitoring and reporting regularly to deputy ministers on gaps in future leadership capacity (e.g., expected retirements). PSC had begun collecting information on readiness to manage anticipated leadership gaps (e.g., expected number of potential or emerging leaders).

In 2010, PSC began collecting a manual inventory of information about senior leaders in ministries (e.g., executive directors through deputy ministers). At June 30, 2010, this inventory was not yet complete. When complete, this inventory will aid the Government in identifying candidates for vacant senior management positions in ministries. In future, PSC hopes to create an electronic database with this information. In electronic format, the PSC could analyze the information more easily and use it to support a coordinated, corporate approach to managing senior leadership talent.

As previously noted, PSC expects about half of ministries' senior leaders to retire over the next six years. Historically, the Government appoints about 85% of senior leaders from within the public service. As PSC reported in its 2008-09 and its 2009-10 annual reports, six ministries (who manage just over 50% of staff employed by ministries) have formal succession plans. PSC reported it is working with the other ministries to develop succession plans (e.g., Justice). These succession plans provide some of the information PSC needs to assess the readiness of ministries to manage expected gaps in leadership capacity. However, the information is not available for all ministries.

Saskatchewan Watershed Authority

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Main points

The Saskatchewan Watershed Authority (Authority) is responsible for leading the management of the province's water resources. To help ensure the quality and availability of the water supply, the Authority needs to identify risks to the water supply.

For the 12-month period ending September 30, 2010, the Authority's processes to identify risks to the water supply were not adequate.

The Authority did not approve a policy or implement a written plan for identifying risks to the water supply. The Authority also did not have documented processes for collecting and evaluating information about the water supply to identify risks. Documented policies and processes would assist in a more consistent approach to risk identification. The Authority did not consistently document the causes of risks or missed opportunities. Nor did it adequately communicate to the public risks about the water supply.

The Authority has addressed our past recommendation to obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years. The Authority has made progress on our other two dam safety recommendations, but more work is required.

The Authority also needs to implement and test a business continuity plan and put in place an adequate information technology service agreement with Saskatchewan Water Corporation.

Introduction

The mandate of the Saskatchewan Watershed Authority (Authority) is to lead management of the Province's water resources to ensure safe sources for drinking water and reliable water supplies for economic, environmental, and social benefits for Saskatchewan people.[1]

At March 31, 2010, the Authority held assets of $320.3 million, had annual operating revenue of $23.9 million, and a deficit for the year of $5.2 million. Each year, the Authority gives its annual report including its audited financial statements to the Legislative Assembly.[2]

Audit conclusion and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of the Authority. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Deloitte & Touche LLP and our Office formed the following opinions.

In our opinion, for the year ended March 31, 2010:

- **the Authority had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **the Authority complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the Authority's financial statements are reliable**

In this chapter, we also report the results of our follow-up work on processes to ensure dams are safe, as well as our audit on the Authority's processes to identify risks to the water supply.

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[1] Saskatchewan Watershed Authority, *2009-10 Annual Report*, p. 10.

[2] See www.swa.ca.

Business continuity plan needed

The Authority needs a written, approved, and tested business continuity plan[3] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

The Authority must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Authority is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

- have management support including making the required resources available to create and maintain the business continuity plan
- be based on a threat and risk assessment including identifying and ranking the Authority's critical functions
- set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- be documented, approved by management, and easily accessible when the plan needs activation
- be tested initially and policies should provide for ongoing testing, maintenance, and updating of the plan

1. **We recommend that the Saskatchewan Watershed Authority implement and test a business continuity plan.**

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[3] **Business Continuity Plan** (BCP)—Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Signed service agreement required

The Authority supplies information technology (IT) services to Saskatchewan Water Corporation. The Authority does not have a service agreement with Saskatchewan Water Corporation.

The Authority needs a service agreement with Saskatchewan Water Corporation setting out the roles and responsibilities of both parties. For example, the agreement would describe the services to be provided by the Authority (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements.

Without a service agreement, there is a risk that the Authority's and Saskatchewan Water Corporation's needs may not be met.

2. **We recommend that the Saskatchewan Watershed Authority have an adequate information technology service agreement with Saskatchewan Water Corporation.**

Processes to ensure dams are safe—a follow-up

The Authority is responsible for the operation of the Gardiner, Qu'Appelle River, Rafferty, and Alameda dams. In 2005, we examined whether the Authority had adequate processes to ensure these dams are safe. We reported the results of the audit in our 2005 Report – Volume 1, Chapter 3 and made recommendations for the Authority to help improve its processes. The Standing Committee on Public Accounts agreed with our recommendations in June 2005. We followed up on those recommendations in our 2007 Report – Volume 3, Chapter 7 and continued to recommend the Authority:

- obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years

- have up-to-date tested emergency preparedness plans for each of its major dams (i.e. Rafferty, Alameda, Qu'Appelle River, and Gardiner)
- set processes to ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety

In September 2010, we assessed the Authority's progress towards addressing our above recommendations. We set out the results of our work below.

Independent comprehensive dam safety review

A dam safety review is a comprehensive, formal review carried out at scheduled intervals to determine whether an existing dam is safe, and if it is not safe, to determine what improvements are required.[4] The dam safety review should be carried out by a registered professional engineer (review engineer) or a multidisciplinary team of engineers reporting to the review engineer.[5]

The Authority completed independent dam safety reviews for Alameda Dam in 2006-07, for Rafferty Dam in 2007-08, and for Gardiner and Qu'Appelle River dams in 2008-09.

The reviews for the Alameda, Rafferty, Gardiner, and Qu'Appelle River dams concluded that the respective dams were well maintained and operated, and generally in fair to satisfactory condition. The reviews also made several recommendations for improvements. Management told us there is a plan to complete a dam safety review for each high consequence dam within five years of the last review.

The Authority has met our recommendation.

Up-to-date tested emergency preparedness plans

> In cases where dam failure or passage of a major flood could be expected to result in loss of life, the dam owner should prepare and maintain an EPP (Emergency Preparedness Plan) for use by external agencies. In the EPP, the dam owner describes the

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[4] *Canadian Dam Association Dam Safety Guidelines.* (2007). p. 80.

[5] Ibid., p. 49.

> hazards, the associated notifications to be issued, and in general terms the actions expected of other responders. The EPP is not a response document, but should contain essential information, such as inundation maps and flood arrival details, so that local authorities can develop their own response plans. In the event of an emergency at the dam, the local authorities and other downstream stakeholders would be contacted, as shown on the fan-out notification chart, and asked to initiate their community emergency plans accordingly.[6]

The EPP is prepared to safeguard lives and to reduce property damage in the event of a natural flooding or dam failure.

The Authority has completed a dam break analysis for each of the Gardiner, Rafferty, Alameda, and Qu'Appelle River dams. The dam break analysis is a prerequisite to preparing the EPPs.

The Authority told us it updated the Gardiner Dam EPP and it plans to consult with local government officials by March 31, 2011. The Authority will consult with government officials prior to finalizing the EPP. When the Authority finalizes the EPP, it will develop a plan for testing it.

The Authority told us it drafted EPPs for the Rafferty and Alameda Dams and that it intendeds to finalize these plans by March 31, 2011. It has not drafted the Qu'Appelle River Dam EPP. The Authority told us that it plans to prepare and finalize this plan in fiscal 2011-12.

We continue to recommend that the Saskatchewan Watershed Authority have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).

Complete manuals

Complete and current operation, maintenance, and surveillance manuals provide direction to employees to ensure that they maintain the structural integrity and safety of the dams. Complete manuals also help transfer key knowledge when personnel change.

The Authority has made progress in updating its manuals. It has identified the key manuals that require updating to ensure that they are complete and developed a policy to ensure that they are current. However, some work remains to complete the manuals in order to meet the Canadian Dam Association's Guidelines.

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[6] Ibid., p. 39.

We continue to recommend that the Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.

Processes to identify risks to the water supply

Introduction

As noted above, the mandate of the Authority includes leading management of the province's water resources to ensure safe drinking water sources and reliable water sources. To fulfill its mandate, the Authority has a broad range of powers and responsibilities and delivers many programs and services. The Authority must work with many other provincial agencies with mandates related to water (such as regional health authorities, SaskPower, and the ministries of Environment, Agriculture, and Health). The Authority must also work with other levels of government (i.e., federal, municipal) and other provincial governments.

Background—identifying risks to the water supply

Water is of fundamental importance. Saskatchewan requires adequate supplies of water for drinking, sanitation, agriculture, industry, recreation, and preservation of the environment including fish and wildlife habitats.

Saskatchewan's water supply faces significant risks. Changes in population and water use, both within Saskatchewan and by our neighbours, place stresses on the supply of water. The variability of the water supply and changes in weather and climate pose additional risks. To help ensure the quality and availability of the water supply, the Authority needs to identify and manage the many risks that exist to Saskatchewan's water supply.

This audit focuses on risk identification because it is a necessary precondition to effective water management. To lead management of the province's water resources, the Authority must identify risks to the water resources. If the Authority does not have adequate processes to identify risks to the water supply, the consequences could include deterioration in availability and quality of water for all of its varied uses. Inadequate supplies of good quality water would pose significant harm to our quality of life, to our economic interests, and to the environment.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Saskatchewan Watershed Authority (the Authority) had adequate processes for the 12 month period ended September 30, 2010 to identify risks to the water supply (including surface and ground water).

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Authority's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Authority's management agreed with the criteria.

Our main criteria were as follows. To have adequate processes to identify risks to the water supply, the Authority should:

- establish a risk identification framework
- gather information on risks to the water supply
- document risks to the water supply

We concluded that, for the 12 month period ending September 30, 2010, the Saskatchewan Watershed Authority's processes to identify risks to the water supply were not adequate.

Key findings and recommendations

We describe below what we expected (in italics) and our key findings for our three criteria, together with our recommendations.

Establish a risk identification framework

We expected the Authority to establish a risk identification framework. A framework would include an approved policy and a documented plan that assigned responsibility for risk identification and specified adequate *resources and methodology. The plan would set out a process based on the adopted methodology and include a schedule or completion dates. The Authority would evaluate and modify its risk identification processes.*

The Authority's Board did not approve a risk identification policy. The Authority, nevertheless, used some specific risk identification practices for several years. In 2005, the executive (i.e., senior management) identified risks including assessing likelihood and impact. In 2006 to 2008, management, including the executive, identified risks and documented the likelihood and impact of each risk using a risk matrix.

The Authority did not continue these risk identification practices after 2008. Management told us that this was because of time and resource pressures. For the audit period and the preceding year, risk identification consisted of updating the wording in the Authority's environmental scan included in the Authority's budget submission to the Ministry of Finance.

The Authority has not documented a plan for risk identification to establish the steps, timelines, and responsibilities for identifying risks. Nor has it established a plan to resume its past risk identification practices.

A member of the Authority's executive is responsible for development of the Authority's strategic plan, which the Authority considers to include risk assessment. Responsibility for risk identification is not separately documented, such as in a policy or job description. The Authority has also hired an employee who has expertise in risk management. This employee assisted in development and implementation of the risk practices.

The Authority has not formally evaluated its risk process. The attention the Authority paid to risk identification varied from 2005 to 2010. An approved policy and documented plan would assist in a more consistent approach to risk identification.

3. **We recommend that the Saskatchewan Watershed Authority's Board approve a policy for identifying risks to the water supply.**

4. **We recommend that the Saskatchewan Watershed Authority implement a written plan for identifying risks to the water supply.**

Gather information on risks to the water supply

We expected the Authority to gather information on risks to the water supply. The Authority would identify sources of water supply. It would collect and analyze data, evaluate and verify the sources of information, and make changes as necessary. It would assess external research and work with other agencies and jurisdictions to identify and evaluate risks. The information gathered and analyzed would be used to build the Authority's understanding of risks to the water supply.

The Authority's processes to collect and analyze sufficient and reliable information about water supplies to identify risks are evolving.

The Authority gathers data about certain water basins in the province throughout the year. It has agreements with the federal government for some of this data collection. Industry standards and periodic studies help the Authority determine if its processes will collect sufficient data. The Authority's employees conduct field tests and perform reasonability analyses to verify the accuracy of the data. Management told us the Authority plans to document its data quality control processes for surface water.

The Authority uses historical maps about ground water and data from wells to help understand ground water supply. It recently began a project to better map information about ground water supply around Saskatoon. It plans to use this project to develop a process to improve mapping of water supply throughout agricultural Saskatchewan. The Authority also plans to implement a new computer system to maintain information about ground water supply. To prepare, the Authority cross-referenced data from various databases to improve accuracy of its data. It plans to implement additional controls in its new computer system to improve the quality of data.

The Authority analyzes data as part of its work for specific projects (e.g., to support granting a water license). It also uses this information to prepare reports, such as reports on the state of the watersheds. However, the Authority does not use this information as a foundation for identification of risks to the water supply.

The Authority also accesses information about risks to the water supply from external sources, such as other agencies, other governments, and external research. The Authority uses written agreements to share some information. Various committees and working groups also allow for sharing of information about risks. In addition, the Authority's many professional employees provide it with access to professional bodies and research. While information from these various external sources may inform the Authority's employees about risks to the water supply, no systematic process exists to ensure the information is analyzed and incorporated into the Authority's risk identification process.

5. **We recommend that the Saskatchewan Watershed Authority document its processes to collect information about the water supply.**

6. **We recommend that the Saskatchewan Watershed Authority systematically evaluate information about the water supply to identify risks.**

Document risks to the water supply

We expected the Authority to document risks to the water supply. The Authority would identify causes of risks or missed opportunities. The Authority would describe the likelihood and impact of risks and would communicate risks effectively both internally and externally.

The Authority did not consistently document causes of risks or missed opportunities. For some risks, it outlined contributing causes, such as climate change and increasing population.

7. **We recommend that the Saskatchewan Watershed Authority consistently document identified causes of risks to the water supply.**

The Authority documented the likelihood and impact of risks as part of its risk matrix. It has not updated its matrix since August 2008.

The Authority provides some context about its risks in various public reports, such as its annual report, annual plan, reports on the state of the watersheds, and in watershed planning documents. However, these reports do not clearly set out the risks or provide adequate detail for the public to understand the likelihood or impact of these risks. The Authority also outlines some risks in its budget submission to support funding requests. The Authority does not effectively communicate about risks to its employees. It is up to individual managers to share this information with their staff.

8. We recommend that the Saskatchewan Watershed Authority adequately communicate to the public risks about the water supply including likelihood and impact of these risks.

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Social Services

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Main points

The Ministry of Social Services (Ministry) needs to do more to ensure all children who are the responsibility (wards) of the Minister receive proper care.

The Ministry has not provided us evidence of its work to ensure the safety and well being of wards of the Minister residing on reserves. Accordingly, we do not know if the Ministry's process to monitor the care received by children residing on reserves is achieving its objectives.

The Ministry must also take steps to ensure staff follow the established policies for child care. For example, staff must review and approve foster homes when placing more than four children in a foster home. Continued lack of compliance with established policy could result in foster families not receiving the support they need and the wards of the Minister not receiving the required care.

The Ministry has made progress towards better supervising community based organizations and managing social assistance programs. But, it needs to do more to strengthen its information technology security processes to better secure its information systems and data.

The Ministry's processes to secure physical information are adequate except that it needs to:

- provide regular security awareness training to employees
- follow its policies for removing access to information for terminated and transferred employees
- establish a process for consistent tracking of confidential information and files

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Introduction

The mandate of the Ministry of Social Services (Ministry) is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts through income support, child and family services, support for persons with disabilities, efforts to develop affordable housing, and by building greater capacity in community-based organizations.[1]

The Ministry received $740 million from the General Revenue Fund to deliver its programs and had revenues of $41 million. Information about the Ministry's revenues and expenses appears in its annual report (see www.socialservices.gov.sk.ca).

The following is a list of major programs and spending:

	Original Estimates[2]	Actual
	(in millions of dollars)	
Employment support and income assistance	$ 314	$ 340
Community inclusion	152	133
Child and family services	125	131
Supporting families and building economic independence	70	70
Central management and services	41	35
Housing	30	30
Other	1	1
	$ 733	$ 740

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[1] *Ministry of Social Services Annual Report, 2009-10.*

[2] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2010.*

Special purpose funds and Crown agency

The Ministry is responsible for the following special purpose funds (funds) and Crown agency:

	Year-end
Social Services Central Trust Account	March 31
Valley View Trust Accounts and Fund	March 31
Saskatchewan Housing Corporation	December 31

We reported the results of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2009 in our 2010 Report – Volume 1.

Later in this chapter, we describe the results of our audit of the Ministry's processes to secure physical information. The chapter also provides an update on the past recommendations of the Standing Committee on Public Accounts that the Ministry has not yet implemented and are not discussed in this chapter.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- **the Ministry of Social Services had adequate rules and procedures to safeguard public resources except as described in this chapter**
- **the Ministry of Social Services complied with authorities governing its activities and the activities of its funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**
- **the financial statements of the funds are reliable**

We report our findings under four headings: general administration, protecting children in care, providing social assistance, and supervising community-based organizations.

General administration

Adequate agreement for disaster recovery required

In 2007, we recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office (ITO) that includes network security and disaster recovery requirements. In January 2008, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

The Ministry uses ITO to provide information technology services. The Ministry's agreement with ITO does not adequately address disaster recovery requirements. The agreement does not list the Ministry's key applications and its recovery time objectives. Although one of the Ministry's service providers that ITO manages performs disaster recovery testing periodically for major systems, it does not test all of the Ministry's significant systems. As a result, neither the Ministry nor ITO knows whether it can restore all of the Ministry's critical systems and data in the event of a disaster.

Lack of an adequate disaster recovery plan could result in systems, data, and services not being available to the Ministry.

We continue to recommend that the Ministry of Social Services sign an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements.

Monitoring of ITO security required

In 2008, we recommended that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data. In December 2008, PAC agreed with our recommendation.

ITO became the custodian for the Ministry's computer systems and data in 2008. To know that its computer systems and data are secure, the Ministry needs to know if ITO provides adequate security.

The Ministry receives monthly service reports from ITO. The service reports include information on ITO activities such as service levels and costs. These service reports do not identify all the security issues at ITO relevant to the Ministry's systems and data. If the service reports included such information, it would allow the Ministry to assess and decide solutions to the identified security issues.

Controlling users' access to systems and data is important to make systems and data secure. The Ministry receives user access reports from ITO. The reports identify who has access to the network and the specific applications. The Ministry does not properly use those reports to ensure only authorized employees have access to its systems and data. We found that 66% of the individuals we sampled who were no longer employed by the Ministry did not have their access to systems and data removed on a timely basis.

We continue to recommend that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data.

Multi-year information technology plan required

In 2008, we recommended that the Ministry of Social Services establish an adequate information technology plan. In December 2008, PAC agreed with our recommendation.

Although the Ministry prepared a budget for IT operations and prepares a business case for each IT project, it did not have a multi-year IT plan with links to its strategic business objectives. It should do so. An adequate multi-year IT plan would help ensure that the use of Ministry's resources support its strategic objectives and would help management to address threats and risks to the security of the Ministry's systems and data.

We continue to recommend that the Ministry of Social Services establish an adequate information technology plan.

Business continuity plan needs testing

Since 2003, we have recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan (BCP). In September 2004, PAC agreed with our recommendation.

The Ministry has developed a BCP for its critical programs and services and prepared documentation to support BCP testing. The Ministry updated the plan during the year for pandemic planning purposes and performed testing. The Ministry needs to test all of its critical programs and services to ensure the effectiveness of its plan.

We continue to recommend that the Ministry of Social Services complete its business continuity planning by adequately testing its business continuity plan.

Protecting children in care

The Child and Family Services Act requires the Minister of Social Services to intervene on a child's behalf when the child is in need of protection due to physical, sexual, or emotional abuse or neglect. The Ministry has services designed to protect children from abuse or neglect, support families and communities in caring for children, assist people facing family violence, and assist families to adopt children under *The Adoption Act*.

The Ministry provides care for children requiring protection and out-of-home care. Children placed in out-of-home care can be either wards or non-wards. The Minister assumes legal responsibility for wards and acts as parent with the rights and obligations of a parent. Non-wards are those children that the Minister helps to support without having legal custody of the child.

A non-ward is a child that the courts may place in the custody of a person of sufficient interest rather than with the Minister. A person of sufficient interest is a person who is not a parent of the child but who, in the opinion of the court, has a close connection with the child. A person of sufficient interest may be an extended family member or, in the case of a status Indian child, the chief of the Indian Band or its designate.

Tracking children in care

In 2008, we recommended that the Ministry of Social Services implement a system to know how many children are the Minister's responsibility, who they are, and where they live. In December 2008, PAC agreed with our recommendation.

The Ministry does not have a process to know how many wards the Minister cared for during the year. For the last two years, we have asked the Ministry's officials to provide us information about the Minister's wards; i.e., how many they are, who they are, and where they live. We have not yet received a complete response from the Ministry on this matter.

The Ministry is in the process of replacing their case management system with a new system that both the Ministry and First Nation child and family agencies can use. The Ministry expects to implement this system in 2011.

On October 5, 2010, management told us that the Ministry has information about the Minister's wards residing off reserve and that it receives similar information from First Nations agencies once a month. We will examine this process next year.

We continue to recommend that the Ministry of Social Services implement a system to know how many children are the Minister's responsibility, who they are, and where they live.

Caring for children residing off reserves

A child can be placed in the care of the Minister on a temporary or permanent basis through a court order or a voluntary agreement with the parent(s). The Minister places those children in the care of foster families, alternate care providers (e.g., extended family members), a residential group home, or other facilities. Care providers must meet the child's basic developmental and special needs.

To provide care for the wards of the Minister residing off reserves, the Ministry arranges for such children to reside either with foster care parents, alternate care providers[3], or in group homes and other facilities. The Ministry is responsible to reimburse the care providers for expenses incurred for these children.

The Ministry has policies, standards, and procedures (processes) to ensure it places children requiring care with appropriate caregivers. It also has processes to transfer a First Nations child apprehended off reserve to a First Nations child and family services agency. The agency places the child with a caregiver on reserve.

The Ministry has established adequate processes for placing and protecting children. However, employees do not always follow those processes. Because employees do not always follow those processes, the Ministry does not know if children in care are safe and receiving proper care.

Since 2003, we have recommended that the Ministry of Social Services follow its rules and procedures to ensure children in care are protected and the payments to custodians are authorized. In September 2004, PAC agreed with our recommendation.

The exhibit below shows the results of our work on how well employees of the Ministry followed the established processes.

Exhibit 1—Percentage of client files we sampled did not comply with child protection policies

	2010	2009	2008	2007	2006
No criminal record check*	11%	20%	17%	27%	13%
Inadequate contact with children	47%	53%	39%	35%	21%
No agreement with foster care provider	8%	6%	10%	0%	13%

* Non-compliance generally relates to non-care providers in the home

The Ministry needs to do more to ensure its employees comply with established processes. Lack of employees' compliance with established processes increases the risk that children under care may not be adequately protected. Also, lack of agreements with care providers could result in unauthorized payments to the care providers.

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[3] Foster care providers usually do not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child.

We continue to recommend that the Ministry of Social Services follow its processes to ensure that children in care are protected and the payments to custodians are authorized.

Foster care providers

In our 2008 Report – Volume 3, we recommended that the Ministry of Social Services follow its policies to review and approve foster homes when placing more than four children in the foster home. In December 2008, PAC agreed with our recommendation.

The Ministry has policies to limit the number of children in the care of a foster parent. Generally, the policies allow placing more than four children in one foster home only under certain conditions and with specific approvals. Under the established policies, senior managers are required to review and approve the placement of more than four children in a foster home. Senior managers are also required to review and re-approve the placement every two weeks. The review and re-approval help ensure compliance with policy conditions, proper assessments of the situation, safety and proper care of children, and adequate support for the foster family.

The exhibit below shows the results of our work on how well employees of the Ministry followed the Ministry's established process.

Exhibit 2—Percentage of client files we sampled where

	2010	2009	2008
More than four children were in care in a foster home	75%	63%	52%
Bi-weekly review and re-approval not done	74%	74%	56%

Seventy-five percent of the foster home files that we examined periodically had more than four children. The majority of such foster homes had inadequate evidence of senior managers' regular bi-weekly review and re-approval allowing more than four children.

Continued lack of compliance with established policies increases the risk that foster families may not receive the support they need and the wards of the Minister may not receive the care they need.

The Ministry must take steps to ensure employees follow the established policies.

We continue to recommend that the Ministry of Social Services follow its policies to review and approve foster homes when placing more than four children in the foster home.

Caring for children residing on reserves

The Ministry makes agreements with First Nations child and family services agencies[4] (First Nations agencies) to provide child welfare services on the Ministry's behalf for First Nations children residing on reserves. Section 61 of *The Child and Family Services Act* allows the Minister to make such agreements allowing the First Nations agencies to exercise the powers of the Minister specified in the agreement. The Ministry has such agreements with 18 First Nations agencies. These First Nations agencies report to their boards. The Government of Canada pays most of the operating costs for on-reserve services provided by the First Nations agencies.

Under the law, First Nations agencies can obtain custody of a child on behalf of the Minister in one of the following ways:

- using the Minister's powers specified in the agreements, obtain either a court order for a child apprehended on reserve or accept a child whose parent(s) voluntarily place the child in the First Nations agency's care
- accept transfer of First Nations children from the Ministry that it apprehended off reserve when the Ministry considers the transfer desirable

To obtain custody of a child in need of protection, First Nations agencies use the Minister's powers specified in the agreement to approach a court of law to seek custody of the child. When the court is satisfied that the child needs protection and there is no person of sufficient interest, it grants custody to the Minister and the child becomes a ward.

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[4] First Nations agencies are not-for-profit community based organizations that individual First Nations establish to carry out child and family service programs on related First Nation reserves.

For children who are wards of the Minister and reside on reserves, the Ministry must have adequate processes to ensure those children receive appropriate care similar to those residing off reserves.

In our 2008 Report – Volume 3, we recommended that the Ministry of Social Services:

- make agreements with First Nations child and family services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister
- adequately monitor the First Nations child and family services agencies' compliance with the Ministry's standards for approval of out-of-home care providers
- implement a process to ensure the adequacy of First Nations child and family services agencies' long-term case planning for children who are wards of the Minister
- seek regular personal contact with children who are wards of the Minister and regularly review the First Nations child and family services agencies' child protection files

In December 2008, PAC agreed with our recommendations.

As we stated earlier, the Ministry is in the process of replacing their case management system for child and family services. The Ministry expects to implement the new system in 2011. The Ministry plans to provide access to the new system to the First Nations agencies.

The Ministry has developed a standardized process to monitor the care children residing on reserves receive. To assess whether the process is achieving the objective, we asked the Ministry to provide us its reports related to the Ministry's monitoring of children who are wards of the Minister and reside on reserves, its findings, and any corrective actions it took.

As in the past year, in early 2010, the Ministry agreed to provide us with this information for each First Nations agency. However, as of August 2010, we received only one First Nations agency report. As such, we are unable to make our assessment.

Two years have gone by but the Ministry is unable to provide us evidence of its work to ensure the safety and well-being of children who are wards of the Minister and reside on reserves. As a result, we are not able to assess whether the Ministry's process is achieving its objective.

Management told us that the Ministry has completed file reviews for 16 out of 18 First Nations agencies and that it continues to work closely with these agencies to facilitate a process for sharing information with our Office.

We continue to recommend that the Ministry of Social Services:

- make agreements with First Nations child and family services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister
- adequately monitor the First Nations child and family services agencies' compliance with the Ministry's standards for approval of out-of-home care providers
- implement a process to ensure the adequacy of First Nations child and family services agencies' long-term case planning for children who are wards of the Minister
- seek regular personal contact with children who are wards of the Minister and regularly review the First Nations child and family services agencies' child protection files

Providing social assistance

Social assistance payments

Since 2000, we have recommended that the Ministry of Social Services follow its established processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of assistance. In June 2001, PAC agreed with our recommendation.

In 2009-10, the Ministry made payments totalling $235 million for social assistance. The Ministry must make many of these payments quickly. A client's need for food, clothing, and shelter often requires payment that day, or within a few days. In such cases, the Ministry must later verify the client's eligibility for assistance and the amount that was required.

The Ministry needs a strong post payment process to identify incorrect payments and to recover any overpayments. We assessed the Ministry's compliance with its established processes to identify incorrect payments. Exhibit 3 shows the results of our work.

Exhibit 3—Percentage of client files we sampled containing inadequate support for and/or payments not made in accordance with regulations

	2010	2009	2008	2007	2006
Needs and expenses	26%	18%	16%	24%	30%
Client identification	0%	0%	0%	2%	10%
Living arrangements	5%	0%	0%	4%	13%
Child support[5]	9%	8%	0%	0%	8%

We continue to recommend that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

Employment and rental housing supplement payments

Since 2005, we have recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive the correct amount of Saskatchewan Employment Supplement assistance. In October 2006, PAC agreed with our recommendation.

Also, since 2007, we have recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance. In January 2008, PAC agreed with our recommendation.

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[5] Clients must pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent if obtaining such support is possible.

Under the Saskatchewan Employment Supplement (SES) program, the Ministry gives money to low-income working parents. In 2009-10, the Ministry made payments totalling $20.4 million under the SES program.

Under the Saskatchewan Rental Housing Supplement (SRHS) program, the Ministry gives money to low-income tenant families and people with disabilities to help them obtain accessible, affordable, and quality housing. In 2009-10, the Ministry made payments totalling $18.0 million under the SRHS program.

The Ministry has processes for making payments to clients under its SES and SRHS programs. It uses the same system to pay assistance under these two programs. Clients tell the Ministry their employment income, family composition, and rental information when they apply for assistance under SES and SRHS, and monthly thereafter. These factors affect the amount of assistance a client is eligible to receive.

The Ministry regularly monitors SES and SRHS payments by testing a number of clients. The Ministry puts the selected clients' accounts on hold (i.e., no further payments are made) until they submit documents to support their claim. If a client does not submit the required documents, the Ministry closes the account. The Ministry has set a target financial error rate of 4% of total SES and SRHS payments.

Exhibit 4—Percentage of client files the Ministry sampled

	2010	**2009**	**2008**	**2007**	**2006**
Client did not respond and accounts closed for lack of support	5%	10%	8%	16%	18%
Clients did respond and subsequent verification resulted in payments being assessed as incorrect	11%	12%	14%	16%	15%

During the year ended March 31, 2010, the Ministry found that 5% of the 2,395 clients it tested did not respond or provide written evidence to support their reported income. As a result, the Ministry stopped further payments to those clients. Of those clients that responded, the Ministry determined that it had overpaid 11% of those clients. The Ministry has processes to collect the overpayments.

The above compliance errors represent about a 6% financial error for these programs. The Ministry needs to do more to reduce the error rate for overpayments.

We continue to recommend that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive the correct amount of Saskatchewan Employment Supplement assistance.

We continue to recommend that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance.

Supervising community-based organizations

The Ministry needs to strengthen its supervision of community-based organizations (CBOs).

The Ministry paid $143 million to over 300 CBOs that provide services on its behalf. CBOs provide programs including income assistance, group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs.

We organize our findings on CBOs into two sections:

- agreements with CBOs
- operational performance reports

Agreements with community-based organizations

The Ministry has strengthened its agreements with CBOs that set out the Ministry's objectives for complying with the law and safeguarding resources.

In 2007, we recommended that the Ministry of Social Services work with CBOs to establish performance measures and targets that better allow it to assess the CBOs progress in achieving the Ministry's operational objectives. In January 2008, PAC agreed with our recommendations.

The Ministry did not address our recommendation during the year. It does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting the Ministry's objectives. As a result, it does not know if CBOs are achieving the Ministry's operational objectives.

We continue to recommend that the Ministry of Social Services work with community-based organizations (CBOs) to establish performance measures and targets that allow the Ministry to better assess the CBOs' progress in achieving the Ministry's operational objectives.

Operational reports

The Ministry requires CBOs to submit annual operational performance reports describing their services and activities. The exhibit below shows the results of our work for the past five years.

Exhibit 5—Percentage of CBO operational reports we sampled that were not received within the required time

	2010	2009	2008	2007	2006
Prior year annual operational report not received within 3 months of the fiscal year-end	37%	40%	18%	50%	Not available

The Ministry needs to do more to ensure CBOs comply with reporting requirements. It must require all CBOs to submit operational reports along with their financial reports.

In December 2009, the Ministry created a CBO Contract Management Unit. Management told us the purpose of this unit is to implement and maintain processes that result in more consistent monitoring and accountability over CBOs throughout the Ministry.

In 2007, we recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the CBOs. In January 2008, PAC agreed with our recommendations.

Exhibit 6 shows the Ministry's progress to review CBOs' performance reports within six months of the CBOs' fiscal year-end.

Exhibit 6—Percentage of CBO performance information that we sampled received within the required time but not reviewed within six months of the fiscal year-end

	2010	2009	2008	2007	2006
Performance information received but not reviewed	89%	23%	59%	90%	100%

The Ministry made good progress in 2009. However, the level of non-compliance increased significantly in 2010. Lack of timely review of CBOs performance information increases the risk that the Ministry may not be able to take corrective actions when needed.

We continue to recommend that the Ministry of Social Services perform timely review on all the performance information submitted by the CBOs.

Processes to secure physical information

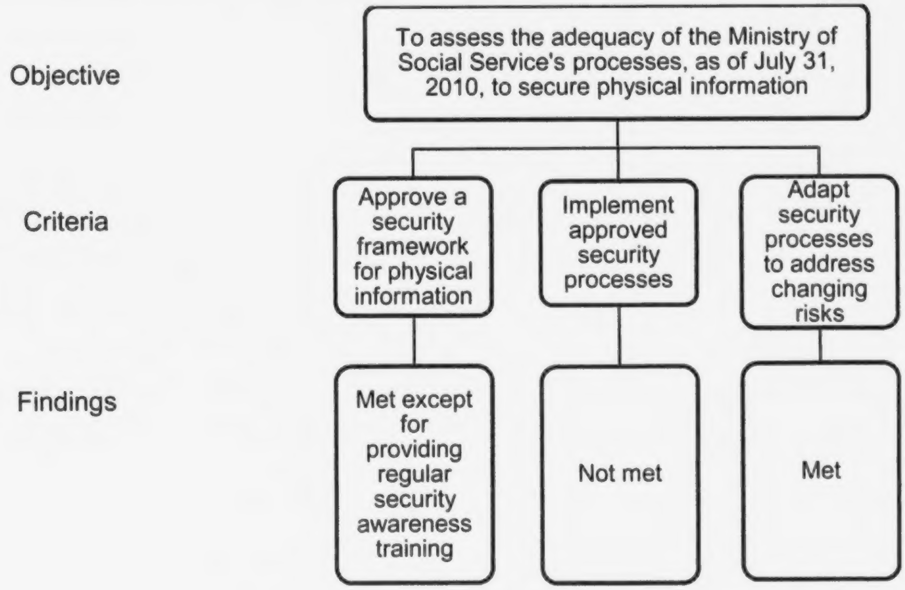
Background

In carrying out its mandate, the Ministry receives and stores private sensitive information (e.g., the information the Ministry uses to determine assistance for eligible citizens; personal and private information gathered during visits to clients' homes). The Ministry must have adequate processes to secure this information. That is, the Ministry must have processes to preserve the confidentiality, integrity, and availability of the information gathered.

The Ministry maintains information in both electronic and physical form. This audit focuses on Ministry information in physical form.[6] The Ministry maintains this information across many locations including 20 service centres.[7]

The Ministry must have effective processes to secure physical information. Inadequate processes could lead to unauthorized disclosure or alteration of sensitive personal information, and loss of information resulting in loss of public confidence.

Our objective, criteria, and summary findings


Objective
To assess the adequacy of the Ministry of Social Service's processes, as of July 31, 2010, to secure physical information
Criteria
Approve a security framework for physical information
Implement approved security processes
Adapt security processes to address changing risks
Findings
Met except for providing regular security awareness training
Not met
Met

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria that we established based on the work of other auditors and current literature listed in the selected references. Management agreed with the above criteria.

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[6] Our Office has made past recommendations regarding the Ministry's use of computer systems and data (e.g., electronic information) and regarding the services it receives from information technology service providers.

[7] Service Centres are offices located throughout the province that the Ministry uses to deliver its programs to clients.

Our conclusion and recommendations

We concluded that the Ministry of Social Service's processes, as at July 31, 2010, to secure physical information were adequate except for the matters covered by the recommendations below.

1. **We recommend that the Ministry of Social Services provide regular security awareness training to employees to help ensure premises and equipment are adequately secured.**

2. **We recommend that the Ministry of Social Services follow its policies for removing access to information for terminated and transferred employees.**

3. **We recommend that the Ministry of Social Services establish a process to track movement of confidential information and files.**

Our detailed findings

We set out below what we expected (*in italics*) for each criterion and our detailed findings.

Approving a security framework for physical information

We expected the Ministry to approve a security framework for physical information by:

- *identifying risks to information*
- *assigning responsibility for information security*
- *promoting security awareness*

To help identify risks to information, the Ministry conducted a survey in early 2010 of all its service centres. The survey included identifying physical security risks at its various locations across the province. The Ministry is responding to risks identified by prioritizing and undertaking capital improvements (e.g., installing alarm systems).

The Ministry has an approved security framework. The framework outlines expectations on physical security and privacy guidelines. It also sets out the roles and responsibilities of all employees for security. Agreements with third parties (e.g., for cleaning, shredding) include clauses for protecting confidentiality of information.

The Ministry promotes security awareness through employee training and orientation. During 2009, the Ministry provided training to all employees regarding the security framework. However, the Ministry does not have a formalized process to provide security awareness training to its employees on a regular basis.

Implementing approved security processes

We expected the Ministry to implement approved security processes by:

- *securing the premises*
- *securing equipment*
- *securing information handling*

The Ministry secures its premises with locked doors and requires all visitors to report to reception prior to entering secure areas. Although the Ministry has a clean desk policy that requires employees to put all confidential information in locked equipment each night, we noted that equipment was not always secured after hours and employees did not always follow the clean desk policy. Also during working hours, confidential information is not always secure within offices. To help secure information, the Ministry must ensure its employees escort all visitors in and out of secure areas.

The Ministry needs to follow its policy for removing access to information for terminated or transferred employees. The Ministry has a checklist that must be completed when an employee leaves the Ministry or changes locations. However, its employees did not use the checklist on a consistent basis. As a result, the Ministry's premises remained unsecure when employees left the Ministry's employment (e.g., building/office access codes were not changed).

Employees are not allowed to remove confidential files from service centres. Files at service centres are located in file rooms or in employee's offices when in use. The Ministry, however, does not have a consistent process for tracking files. In some centres, a card system is used to record when and who removed a file from the file room. Cards in some file rooms were not always accurate. In other centres, employees remove files from the file room without updating the file card. During the audit, we could not find one file because staff could not locate it. Lack of a formalized process for tracking files increases the risk of losing files or disclosing confidential information without detection.

Adapting security processes to address changing risks

We expected the Ministry to adapt security processes to address changing risks by:

- *analyzing changing risks*
- *implementing modifications*
- *reporting effectiveness of security*

The Ministry revisits and updates the security framework as required. As noted above, the Ministry is currently responding to the physical security risks identified during a recent survey. For example, some locations need an adequate file room. The Ministry is addressing this risk by upgrading file rooms within its budget constraints.

Senior management receives weekly email updates regarding all privacy and security breaches. The Ministry also has a process for incident reporting. For example, a fax was sent to the wrong number, an incident report was completed, and the recipient advised the Ministry that the faxed information was destroyed.

Management at various locations monitor the effectiveness of physical security on a regular basis. Management meets with employees who consistently do not comply with physical security guidelines (e.g. following the clean desk policy).

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Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[8]

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[8] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Social Services		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department of Community Resources and Employment should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2010). The Ministry does not yet evaluate the effect of case planning.
2005	PAC concurs: 6-5 that the Department of Community Resources and Employment should assess the risk of loss of public money by employees in positions of trust (i.e., responsible for collection, receipt, disbursement or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented** (as at March 31, 2010). In 2005, Public Service Commission (PSC) began the process of identifying positions of trust and ensuring incumbents in those positions provide a criminal record check. PSC is in the fourth year of that five-year process. See Chapter 18-Public Service Commission.
Ministry of Social Services (Saskatchewan Housing)		
2005	PAC concurs: 15-1 that the Saskatchewan Housing Corporation's capital plan should show: - the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e. performance measures) - the starting point of each measure (i.e., baseline) - what the Corporation expects to achieve with the housing portfolio and by when (i.e., targets)	**Partially implemented** (as at December 31, 2009). Saskatchewan Housing Corporation needs to continue its work on setting measures, baselines, and targets relating to the condition of its housing portfolio.

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[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Tourism, Parks, Culture and Sport

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Main points

The Ministry of Tourism, Parks, Culture and Sport (Ministry) needs policies and procedures for the collection of commercial lease revenue. It should also make a current service level agreement with the Public Service Commission that clearly assigns responsibilities for key payroll activities.

The Western Development Museum needs to establish procedures that require independent review and approval of changes to accounting records. It also needs written procedures for purchasing and selling goods and services.

The Ministry has improved its processes to supervise compliance with the lottery agreement by the Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC), but needs to do more. It needs to:

- establish written procedures for monitoring compliance with the lottery agreement
- make public a list of persons who received public money from Sask Lotteries
- give the Legislative Assembly the annual audited financial statements of Sask Lotteries

Sask Lotteries and WCLC have refused to allow the Provincial Auditor access to audit their accounts related to public money. As a result, we are unable to audit and report the results to the Legislative Assembly.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Ministry of Tourism, Parks, Culture and Sport (Ministry) and set out the results of our 2010 audit of the Ministry and its agencies.

We also report the results of our follow-up on the audit of the Ministry's compliance with the lottery agreement and report on access to audit accounts related to public money.

Background

The mandate of the Ministry is to support, celebrate, and build pride in Saskatchewan. The Ministry's strategic focus is on tourism enhancement, quality of life, and economic growth.[1] The Ministry is also responsible for managing the provincial park system that includes 1.4 million hectares in 195 discrete land parcels (34 provincial parks, 8 historic sites, 24 protected areas, and 129 recreation sites) distributed throughout the province.[2]

The following is a list of major programs and spending:

	Original Estimates	Actual
	(In millions of dollars)	
Central Management and Services	$ 10.2	$ 9.9
Tourism	16.4	15.3
Provincial Capital Commission	0.7	--
Parks	30.7	20.9
Building Communities	16.5	11.6
Culture	39.6	37.1
Heritage	13.0	13.1
Strategic Policy, Planning and Partnerships	2.5	2.8
Community Initiatives Fund	10.4	10.7
Saskatchewan Communications Network	6.3	6.3
Amortization of Capital Assets	--	2.0
	$ 146.3	$ 129.7

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[1] *Saskatchewan Provincial Budget: 2009-10 Estimates*, www.finance.gov.sk.ca/budget2009-10/Budget200910Estimates.pdf.

[2] *2009-10 Annual Report Ministry of Tourism, Parks, Culture and Sport.*

Related special purpose funds and agencies

At March 31, 2010, the Ministry was responsible for the following special purpose funds and agencies:

	Year-end
Commercial Revolving Fund	March 31
Community Initiatives Fund	March 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Saskatchewan Snowmobile Fund	March 31
Western Development Museum	March 31

Audit conclusion and findings

Our Office worked with:

- KPMG LLP, appointed auditor for the Saskatchewan Communications Network Corporation

- Virtus Group LLP, appointed auditor for
  - Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation
  - Community Initiatives Fund

To complete our work on the above-listed agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors of the related agencies formed the opinions below.

In our opinion, for the year ended March 31, 2010:

- **the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **the Ministry and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**
- **the financial statements of the above agencies are reliable**

We are unable to audit the accounts related to public money at Western Canada Lottery Corporation, Western Canada Lottery – Sask Division Inc., and Sask Sport Distributors Inc., for reasons we describe later in this chapter.

Need for revenue guidance

The Ministry needs policies and procedures for the collection of commercial lease revenue.

The Ministry offers to the public, through the Commercial Revolving Fund (CRF), multi-year commercial leases (for operations such as golf courses) in Saskatchewan parks to the public through an open tender process.

Some corporations and individuals that hold these leases are several years behind in lease payments totalling more than $1 million. However, the CRF continues to lease commercial operations to these corporations and individuals. The Ministry has not established policies and procedures to guide staff on how to collect lease revenue and when to terminate leases due to failure to pay.

1. **We recommend that the Ministry of Tourism, Parks, Culture and Sport establish rules and procedures for the collection of commercial lease revenue in arrears.**

Payroll service agreement needed

The Ministry does not maintain a current service level agreement (SLA) with the Public Service Commission (PSC) that clearly assigns responsibilities for key payroll activities.

PSC provides payroll services to the Ministry. The Ministry spends about $9 million each year on salaries.

The Ministry's SLA with PSC that set out the responsibilities of each party for key payroll activities expired on March 31, 2009. At September 2010, the Ministry had not extended or renewed its SLA with PSC.

Lack of a current, signed service agreement increases the risk that the Ministry may not receive the payroll services it needs.

2. **We recommend that the Ministry of Tourism, Parks, Culture and Sport maintain a current service level agreement with the Public Service Commission for the provision of payroll services.**

User access

The Ministry has adequate processes for removing user access from individuals who no longer work for it or who have changed roles and do not require such access. However, during 2009-10, the Ministry did not follow its processes for removing user access to its computer systems on a timely basis.

During our audit, we noted four instances where access to the network was not removed promptly and one instance where access to MIDAS[3] was not removed promptly. The Ministry was not aware of these instances until our audit brought them to its attention. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the Ministry's systems and data.

3. **We recommend that the Ministry of Tourism, Parks, Culture and Sport follow its processes for removing unneeded user**

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[3] The Government's centralized payroll and payment system is called the Multi-informational Database Applications System (MIDAS).

access to its information technology systems and data promptly.

Western Development Museum

Background

The Western Development Museum operates under the authority of *The Western Development Museum Act* (Act). The Museum operates branches in North Battleford, Saskatoon, Moose Jaw, and Yorkton.

The Museum's main objectives as set out in the Act are:

- to acquire objects of historical value and importance to the economic and cultural development of Western Canada
- to collect, preserve, restore, and exhibit the objects to the public
- to stimulate interest in the history of the economic and cultural development of Western Canada
- to co-operate with organizations having similar objects

The Museum's audited financial statements for the year ended March 31, 2010 report total revenue of $5.3 million, total expenses of $6.5 million, excess of expenses over revenues of $1.2 million, and total assets of $9.0 million.

Changing accounting records

The Museum needs to authorize all adjustments to accounting records (journal entries).

We expected the Museum would require senior staff to review and approve all journal entries before changing its accounting records.

During the audit, we noted that the payroll journal entries for the year and the March 2010 journal entries were not reviewed and approved independent of preparation. Lack of independent review and approval of journal entries places the Museum at risk that its accounting records and financial reports may not be accurate and complete or that it may not detect a loss of resources due to fraud or error promptly.

4. **We recommend that the Western Development Museum establish procedures that require independent review and approval of journal entries before changing its accounting records.**

Use and approval of agreements

The Museum needs processes to enter into agreements with its customers and suppliers.

The Museum provides customer services (e.g., catering and room rental) totalling about $0.9 million and purchases goods and services of over $3.0 million.

We expected the Museum to have processes that:

- outline when to use agreements for providing services to customers and purchasing goods and services from suppliers
- set minimum requirements for content of agreements (such as documenting the roles and responsibilities of each party including quantity and quality of goods and services, delivery dates, the amount to be paid, and when)
- formally assign authority to certain staff to approve agreements (e.g., assignment based on nature and size of agreement)
- provide staff guidance on selecting suppliers of goods and services openly and fairly (e.g., single source, minimum number of quotes, or tenders)

During the audit, we noted the Museum did not provide staff with written guidance as to when it requires agreements for either providing services or purchasing goods/services or set minimum requirements on the content of such agreements. Furthermore, the Museum did not formally give staff authority to approve either purchase or customer service agreements. During the audit, we noted several unapproved agreements for providing customers with services (e.g., catering customer service agreements). Also, for purchases of goods or services, it does not provide staff with guidance on how it expects them to select suppliers.

Without written processes over the use and approval of agreements and the selection of suppliers of goods or services, the Museum may not receive or provide the goods and services expected or may pay or be paid incorrect amounts. Also, there is a risk suppliers may view its supplier selection process as not fair or open.

5. **We recommend that the Western Development Museum establish written procedures for:**

   - **purchasing and selling goods and services**
   - **authorizing staff to approve agreements**

Compliance with the lottery agreement—a follow-up

In Chapter 16 of our 2009 Report – Volume 1, we reported our audit of the Ministry's processes to supervise compliance with the lottery agreement and made seven recommendations.

The following two sections set out our recommendations and the Ministry's actions as at March 31, 2010. We found that the Ministry has met four recommendations and still has work to do on three recommendations.

Establish processes to monitor compliance

In 2009, we recommended that the Ministry:

- establish and implement written procedures for monitoring compliance with the lottery agreement by the Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC)
- establish written guidelines for its representatives on the Board of Directors of WCLC to help achieve the Ministry's lottery scheme objectives
- make agreements with Sask Lotteries to help achieve the Ministry's lottery scheme objectives

The Ministry told us it is developing written procedures to monitor WCLC and Sask Lotteries to help ensure compliance with the lottery agreement. The Ministry plans to complete the development of its procedures during its 2010-11 fiscal year.

The Ministry has developed guidelines for its representatives on the Board of Directors of WCLC. The Ministry has appointed one of its senior officials to the Board of Directors of WCLC which should help achieve the Ministry's lottery scheme objectives.

The Ministry has now signed an agreement with Sask Sport Inc.[4] that covers the responsibilities related to Sask Lotteries and the Ministry's lottery scheme objectives.

Report on compliance

In 2009, we recommended that the Ministry:

- provide its senior management with regular reports on compliance with the lottery agreement by Sask Lotteries
- report publicly on compliance with the lottery agreement by WCLC and Sask Lotteries
- make public a list of persons (i.e., employees, suppliers) who received public money from Sask Lotteries
- give the Legislative Assembly the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

The Ministry has a committee that monitors Sask Lotteries' compliance with the lottery agreement. The committee has a standing agenda item that discusses compliance with the lottery agreement. Senior management oversees the work of this committee and receives regular updates on its activities.

The Ministry has reported publicly in its 2009-10 annual report that WCLC and Sask Sport Inc. have complied with the lottery agreement.

The Ministry has not provided the Legislative Assembly with the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. nor made public a list of persons who received public money (e.g., salaries, supplies) from these entities.

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[4] Sask Sport Inc., a non-profit organization, is the parent company of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

Access to audit accounts related to public money

In our 2009 Report – Volume 1, we said that we plan to audit the accounts related to public money at Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC) beginning for the year ended March 31, 2010.

The Provincial Auditor Act requires us to audit all accounts related to public money. Sask Lotteries and WCLC have accounts related to public money because they operate lottery schemes on behalf of the Ministry. The Ministry decides what lottery revenues these entities may collect and what related expenses they may incur. The Ministry also decides how the lottery profits ($50 million in 2010) are allocated to sport, culture, and recreation organizations.

For WCLC, the lottery agreement allows the Provincial Auditor to audit the accounts of WCLC related to public money.

Sask Lotteries and WCLC have external auditors. To carry out our audits in a cost-effective manner, we plan to coordinate our work with those auditors.

Sask Lotteries and WCLC have refused to allow the Provincial Auditor access to audit their accounts related to public money. As a result, we are unable to report, for the year ended March 31, 2010, on whether:

- these entities have adequate rules and procedures to safeguard public resources
- these entities complied with laws and other authorities governing their activities
- these entities have reliable financial statements
- there has been a loss to the Crown through the fraud, default, or mistake of any person

6. **We recommend that the Ministry of Tourism, Parks, Culture and Sport direct Western Canada Lottery – Saskatchewan Division Inc., Sask Sport Distributors Inc. and the Western Canada Lottery Corporation to allow the Provincial Auditor access to audit their accounts related to public money.**

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Workers' Compensation Board

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Main points

The Workers' Compensation Board's (WCB) project management processes for its Eclipse Claims Replacement Project were adequate except that WCB did not:

- provide progress reports to senior management and the Board of Directors showing the estimated completion date and the forecasted costs to complete the project
- prepare a complete detailed project plan early in the project including a critical path analysis
- base the project budget and deadline on a detailed project plan
- retain evidence of approval of key documents such as project charters and communication plans

WCB should provide senior management and the Board reports that include the forecasted costs to complete the Eclipse Project as well as the estimated completion date of the project.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

Our 2010 Report – Volume 1 includes the results of our other audit work at WCB for the year ended December 31, 2009. This chapter reports the results of our audit of WCB's project management processes to implement its Eclipse Claims Replacement Project (Eclipse Project).

Also, this chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Claims management system

WCB's claims management system is critical to the delivery of its services. The system tracks injured workers' claims and makes payments. WCB uses the financial information and claims data from the system to create financial reports including estimates of future claim costs.

WCB's existing claims management system uses an old technology. With older technology, it is often more difficult to make system changes and enhancements. WCB began its assessment of the existing system in 2005. In 2008, WCB decided to purchase a new claims management system. WCB plans to modify the software to meet its specific needs.

The Eclipse Project is a significant project and a significant investment in information technology (IT) for WCB. When the project was approved in 2009, WCB expected the new system to cost approximately $19 million with annual operating costs of approximately $1 million.

Management told us this project will result in WCB having modern software to replace its existing claims management system. Management also told us that the new system is intended to make it easier for WCB's staff to maintain the system and implement future enhancements.

WCB made an agreement with a supplier to provide the new system software. WCB has also contracted with a number of IT firms to provide assistance in working on the project. WCB started working on the project in August 2009. WCB initially planned to complete the project by December 2010 and implement the new system on January 1, 2011. In September 2010, WCB estimated the completion date to be September 2011 with costs expected to be approximately 50% higher than the original budget.

Large IT projects are inherently risky. Strong project management controls and processes can reduce these risks and increase the likelihood of a project's success. These controls and processes can help ensure that projects:

- are done on time (time management)
- are done on budget and includes all costs (cost management)
- meet client needs (scope management)
- use quality standards including independent quality reviews (quality management)

Our objective, criteria, and conclusions

The objective of this audit was to assess whether WCB had adequate project management processes for its Eclipse Project as of July 31, 2010.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*.

Exhibit 1 sets out the criteria that we used to do our work. We based the criteria upon international standards, literature, and reports of other auditors (see selected references). We discussed the criteria with WCB's management. They agreed with the criteria.

We concluded that, as of July 31, 2010, WCB had adequate project management processes for its Eclipse Project except that WCB did not:

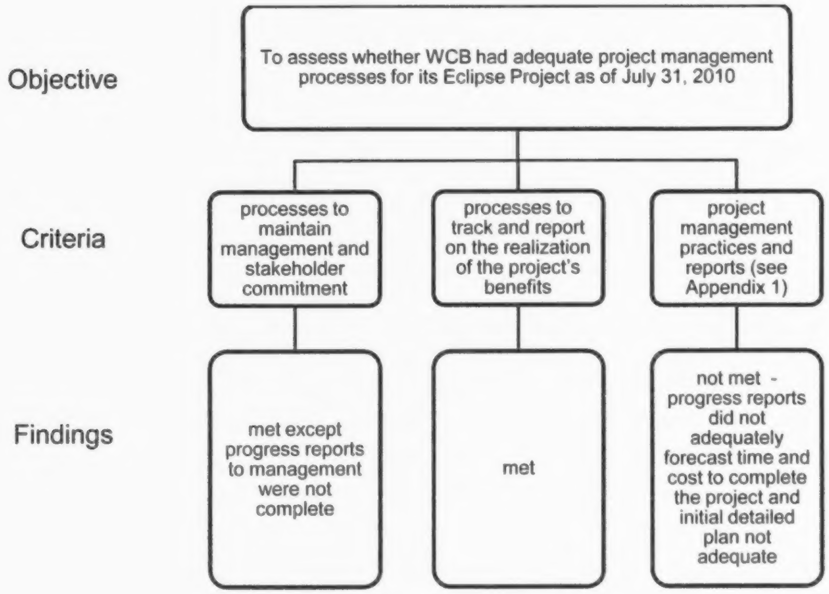
- **provide progress reports to senior management and the Board of Directors showing the estimated completion date and the forecasted costs to complete the project**

- **prepare a complete detailed project plan early in the project including a critical path analysis**
- **base the project budget and deadline on a detailed project plan**
- **retain evidence of approval of key documents such as project charters and communication plans**

Key findings and recommendations

Exhibit 1 provides a brief summary of key findings by criterion. Following the exhibit, we set out, in more detail the criteria (expectations) in italics and key findings along with related recommendations, if any.

Exhibit 1


Objective
To assess whether WCB had adequate project management processes for its Eclipse Project as of July 31, 2010
Criteria
processes to maintain management and stakeholder commitment
processes to track and report on the realization of the project's benefits
project management practices and reports (see Appendix 1)
Findings
met except progress reports to management were not complete
met
not met - progress reports did not adequately forecast time and cost to complete the project and initial detailed plan not adequate

Criterion 1 – Maintaining management and stakeholder commitment

We expected WCB to have project management processes to obtain and maintain strong senior management commitment to the project. We expected senior management would:

- *ensure that the project fits within WCB's strategic plan*
- *be accountable for the success of the project*

- *establish a strong project team with adequate resources to carry out the project*
- *have clear timely communication and reporting throughout the project*

As mentioned earlier, WCB's claims system is key to providing services to its clients. WCB's strategic plan specifies a goal of improving the quality of customer service for employers and injured workers.[1] One of the initiatives listed in the strategic plan is the replacement of its claims system.

Senior management of WCB has taken responsibility for the project. It has approved the budget and human resources for the project. It also has requested regular updates on the progress of the project. The project team included an Executive Steering Committee to oversee the project. The Executive Steering Committee was comprised of three Vice-Presidents and the Executive Assistant to the Chief Executive Officer. WCB had an adequate project team including a full-time Project Director.

The project team did not adequately report the project cost forecasts. We describe this in detail under Criterion 3. Without complete project cost forecasts, it is difficult for senior management to assess if the project team will complete the project within its budget.

Criterion 2 – Tracking and reporting on the realization of the project's benefits

We expected WCB to:

- *have a process to quantify and track project benefits throughout the project and after implementation*
- *base these benefits on a strong business case that is consistent with its vision, strategic goals, and objectives*

The benefits outlined should be measurable and management should report regularly on the achievement of the benefits. The business case should outline the full costs of the project and compare the costs to the expected benefits. A project is not complete until the benefits are realized.

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[1] *WCB Strategic and Operational Plan 2010-2012*, p. 7.

WCB outlined in its project plan (project charter[2]) the expected benefits of the project. The expected benefits are consistent with the strategic goals of WCB. A number of expected benefits outlined in the project charter have specific measurable targets. WCB has set out a process to track and report on the realization of the project benefits. WCB plans to use its existing balanced scorecard system to track and monitor the realization of key benefits.

WCB developed a business case for the project. The business case concluded that WCB should purchase a new claims system rather than build it internally.

Criterion 3 – Project management practices and reports

We expected WCB to have good project management systems and practices to control the implementation of the project as outlined by the nine areas in Exhibit 2.

Good project management practices include planning and reporting progress against the plan. The project teams should collectively have the necessary experience, skills, and leadership to manage the project including managing risks and quality of work, and communicating progress and successes. Good project management systems and practices help ensure that project teams meet deadlines, contain costs, and meet requirements.

WCB's project team has set out a process to centrally track and report on possible issues and project risks including those identified in the project charter. The project team frequently discussed and updated issues and risks at their team meetings. The process also included identifying mitigation strategies to reduce the risks to an acceptable level.

Senior management set a project deadline as a method to manage the project and to focus on the original objectives of the project. However, this was done without having a complete detailed plan in place before the project began to assess whether the budget and deadline can be attained. A detailed plan would have outlined the steps needed to carry out the project. Without a detailed plan, the project team did not know the total amount of effort required to complete the project and could not assess if the project was progressing as planned.

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[2] A Project Charter sets out project information such as the project's objective, team, budget, risks, benefits, and reporting structure.

Also, without a complete detailed project plan, the team was unable to assess which tasks could not be delayed without affecting the planned implementation date (critical path analysis). Those specific tasks would be critical to completing the project in time. The project team began to assess the critical path in June 2010, which was late in the project. This late assessment decreased the effectiveness of the critical path analysis as a tool to manage and monitor the project.

In January 2010, WCB's internal audit recommended that WCB create an overall detailed project plan and share it with the project team. Management agreed with internal audit's recommendation. In February 2010, the project team developed a detailed plan, about seven months after the project began.

As mentioned earlier, WCB needs to improve its progress reporting on the project. Although the project team assessed a risk of not meeting the set deadline, the progress reports that the steering committees received did not indicate a significant risk of not meeting the deadline and being over budget. For example, the August 2010 reports to the steering committees, show the project to be $5.4 million under budget and did not highlight a risk of not meeting the January 1, 2011 deadline. However, some of the project documentation indicates that there was a high likelihood that WCB would not meet the deadline and the overall project budget.

WCB prepared and provided progress reports to senior management and the Board. However, the August 2010 reports did not include the project cost forecasts to complete the project. Also, those reports did not indicate that it was apparent that project would be late and over budget. Without this information, senior management and the Board were unable to adequately monitor the project and ensure corrective action was taken.

1. **We recommend that the Workers' Compensation Board provide senior management and the Board reports that include the forecasted costs to complete the Eclipse Claims Replacement Project as well as the estimated completion date of the project.**

Although there was no board minute approving the project, the Board did receive periodic updates on the progress of the project and approved annual capital expenditures for the project. The project team did not retain evidence of approvals of key project documents such as project charters, approved time lines, and communication strategies.

WCB developed a communication plan for the project. The communication plan specified that there would be periodic reporting of the project to all employees at WCB. WCB assigned one person to provide that periodic reporting to ensure a consistent message. Communication of the project occurred through several means including face-to-face meetings and providing information on WCB's intranet.

The project team monitors the scope of the project through a central system. That system requires approval of any changes to the original scope that the project team requests. The system centrally tracks all of the pending and approved change requests.

Exhibit 2 – Project management framework

The three general criteria of a strong project management climate are:

- management commitment to the project
- the project's ability to achieve its objectives and benefits
- good project management systems and practices

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* to support the above three criteria. The nine processes are:

1. *Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.

2. *Scope management* – the processes involved in determining what the users need, how the needs will be met, and verifying if they are met.

3. *Time management* – the processes to plan, schedule, and control the project's activities to help get the project done on time.

4. *Cost management* – the processes to plan, estimate, and control the project costs.

5. *Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

6. *Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

7. *Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

8. *Risk management* – the processes to identify, evaluate, plan, and respond to risks.

9. *Procurement management* – the processes to decide what to contract for tendering and selecting the best contractor; and negotiating, managing, and closing the contract.

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Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on the recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[3]

Exhibit 3

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Workers' Compensation Board		
2009	PAC concurs: 19-1 that the Workers' Compensation Board formally communicate its information needs for the industrial safety program to the Ministry of Advanced Education, Employment and Labour.	**Not implemented** (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-2 that the Workers' Compensation Board establish processes for assessing the costs and impact of the industrial safety program on the Workers' Compensation Board's injury prevention and safety programs.	**Not implemented** (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-3 that the Workers' Compensation Board management report its assessment of the impact of the industrial safety program on the injury prevention and safety to the members of the Board.	**Not implemented** (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-4 that the Workers' Compensation Board ensure there is Order in Council approval for payment of the industrial safety program costs before paying those costs.	**Not implemented** (as at December 31, 2008). A follow-up is planned for 2011.

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[3] For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

[4] "PAC Report Year" refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 19-5 that the Workers' Compensation Board document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required.	**Not implemented** (as at December 31, 2008). A follow-up is planned for 2011.

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Government's summary-level financial reporting practices

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Main points

Because the Government has improved its financial statement discussion and analysis about its Summary Financial Statements provided in public accounts volume 1, our Office has discontinued publishing its separate report called "Understanding the Finances of the Government." This chapter provides the status of our previous recommendations about the Government's financial reporting practices at the summary level (that is, reporting financial activities of the entire government).

Unfortunately, the Government continues to use the General Revenue Fund (GRF) as its primary focus for reporting on its financial activities instead of using the Summary Financial Statements. The Summary Financial Statements reflect the financial activities of the entire government and hence reflect the complete financial activities of the Government. The GRF does not. Furthermore, the Government manages the financial results of the GRF by deciding the amount and timing of transfers between the GRF and other government agencies.

The Government's summary-level financial reporting practices continue to lag behind those of all other provinces. During 2009-10, the Government did not improve the content of its Summary Financial Plan or its Mid-Year Report. The Government does not make public detail on its planned revenues and expenses or include actual results in its Mid-Year Report. Because legislators and the public do not have complete information, they cannot make comparisons between the Government's plans and actual results.

We continue to encourage the Government to improve its summary-level financial reporting practices.

Introduction

From 1997 until 2009[1], our Office, through separate reports called "Understanding the Finances of the Government", has discussed the need for legislators and the public to receive timely and understandable financial information on the entire government. This information enables legislators and the public to assess and debate the Government's performance. Also, we have continually reminded legislators that only the Summary Financial Statements (SFS) provide the full financial picture of the Government.

In these reports, we have made recommendations to encourage the Government to improve its financial reporting practices. Since 1997, the Government has taken many positive steps. However, more work remains.

In this chapter, we provide an update on the status of three recommendations that were outstanding from our previous reports. At August 31, 2010, the Government has made no progress on implementing these three recommendations.

Below, we describe each recommendation, set out the Government's progress since our last report towards its implementation, and explain why the recommendation remains important.

Primary basis for reporting financial plans and results

In our 2008 Report – Volume 2, we first recommended the Government use the summary reporting entity as the primary basis for reporting its financial plans and results. As reported in its First Report of the 26th Legislature (dated March 25, 2009), the Standing Committee on Public Accounts (PAC) did not agree with this recommendation.

In 2009-10 and consistent with prior years, the Government's primary focus for reporting on its financial results remained the financial plans and activities of the General Revenue Fund (GRF). The following examples show this focus.

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[1] Starting in 2010, our Office is no longer preparing a separate "Understanding the Finances" report as the Government now includes the key indicators of the Government's financial condition in Volume 1 of the Public Accounts (e.g., *Public Accounts 2009-10: Volume 1: Main Financial statements*).

The Government consistently places the GRF's financial plans and results before those of the entire government (SFS) in its key publications and publishes more analysis and detail on the GRF than the SFS (i.e., *Saskatchewan Provincial Budget 2010-11 "Balanced. Forward-Looking. Responsible," Public Accounts 2009-10: Volume 1 Main Financial Statements*, and the Government's March 24, 2010 news release entitled *Government delivers Balanced Budget by Reducing Spending*).

Some of the Government's financial publications focus solely on the GRF, such as the Government's first and third quarter financial reports. Comments of government members to media such as "By finding further savings and efficiencies across government, we were able to address the revenue shortfall and balance the budget..."[2] and "this budget was built on the principles of caution on the revenue side, restraint on the spending side and a firm commitment to government living within its means"[3] refer to the GRF budget.

For 2010-11, the Government has a planned deficit of $622.7 million for the entire Government as compared to the planned and forecasted surplus of $20.0 million for the GRF.[4,5] The Government manages the financial results of the GRF by deciding the amount and timing of transfers between the GRF and other government agencies. For example, the Government improved the GRF's 2009-10 financial results through "Transfers from Government Entities" totalling $1.2 billion including a special dividend from Crown Investments Corporation of Saskatchewan of $570 million and net transfers of $257 million from the Growth and Financial Security Fund.[6]

As previously noted in our 2009 Report – Volume 2, the Government's focus on the GRF is inconsistent with the practices of the other provincial governments who focus primarily on the results of the entire Government. Also, the Government's continued focus on the GRF financial results causes confusion and misunderstanding about the true financial picture of the Government.

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[2] Government of Saskatchewan. June 24, 2010 News Release. *Public Accounts show Saskatchewan's financial picture improving.*

[3] Government of Saskatchewan. March 24, 2010 News Release. *Government delivers balanced budget by reducing spending.*

[4] Government of Saskatchewan. (March 2010). *Saskatchewan Provincial Budget 2010-11 Balanced. Forward-Looking. Responsible., Budget Summary*, Regina. (pp. 74, 83).

[5] Government of Saskatchewan. (June 2010). *Saskatchewan Provincial Budget Update 2010-11 Balanced. Forward-Looking. Responsible, 1st Quarter Financial Report*, Regina. (p. 4).

[6] Government of Saskatchewan. (June 2010) *Public Accounts 2009-10: Volume 1: Main Financial statements* (pp. 10, 14, 50, 69).

Content of summary financial plan (budget)[7]

In our 2008 Report – Volume 2, we first recommended the Government include a statement of operations with estimated revenue and expenses in its financial budget. As reported in its First Report of the 26th Legislature (dated March 25, 2009), PAC did not agree with this recommendation.

In 2009-10 and consistent with prior years, the Government published its 2010-11 Summary Financial Budget Details as part of the *Saskatchewan Provincial Budget: 10-11: Balanced. Forward-Looking. Responsible. Budget Summary*. However, unlike other provincial governments, the Government does not provide any detail on the Government's planned revenue and expenses (e.g., expected revenue by type and expenses by program category). All other provinces provide such detail in their summary-level budgets and/or their reports on actual results.[8] This detail permits actual to planned comparisons. It also provides information on where and how the Government plans to collect and spend public money.

Providing detail on revenue and expenses would assist legislators and the public in understanding the services the Government plans to deliver and how the Government plans to pay for those services.

Content and timing of interim reporting of financial information

In our 2007 Report – Volume 2, we first recommended the Government publish actual and forecasted results compared to its financial plan for the entire Government in each quarter. As reported in its First Report of the

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[7] A summary financial budget combines planned net financial results of all organizations that a government controls and uses to provide goods and services to the public. Government organizations include ministries, Crown corporations, agencies, boards, and commissions.

[8] With the following exceptions, summary financial budgets of other provincial governments include planned results on a line-by-line basis. Most provinces do not include the planned financial results of the organizations within the SUCH sector on line-by-line basis in their summary financial budgets. The governments of Nova Scotia and Prince Edward Island do not provide detail for the entire government on its expected revenue by type or expenses by program category in its summary plan. However, they provide line-by-line comparison of actual to budget in their public accounts volume 1. SUCH sector includes schools, universities, colleges, and hospitals. Not all jurisdictions include all these entities in their consolidated results. For example, Saskatchewan and Nova Scotia do not include universities as these are not controlled by the respective governments.

26th Legislature (dated March 25, 2009), PAC did not agree with the above recommendation and made its own recommendation that focused on the GRF.[9]

In November 2009, the Government published its 2009-10 Mid-Year Report. Consistent with prior years, the Mid-Year Report includes summary statements of surplus and debt. The content of summary financial information in this report remained virtually unchanged from the prior year's report.

While this report includes forecasted results for the year, it does not contain actual financial results to date for the Summary Financial Statements or for the GRF. Inclusion of actual GRF financial results could be a first step towards providing similar information for SFS in future years.

Publishing periodic comparisons of actual to forecasted results would help legislators and the public assess the Government's progress in achieving its summary financial budget.

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[9] The Standing Committee on Public Accounts recommended that the Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on a recommendation previously made by PAC that is not yet implemented and not discussed elsewhere in this chapter.[10]

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Understanding the Finances of the Government		
2009	PAC recommends: **CR1.** That the Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.	**Partially implemented** (as at August 31, 2010). At the November 26, 2008 PAC meeting, Ministry of Finance officials noted its plans to include in the 2009-10 Mid Year Report, actual financial results of the GRF for the first six months in addition to forecast for the year. Neither the 2009-10 Mid Year Report nor subsequent quarterly reports include this information.

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[10] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

[11] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Standing Committee on Public Accounts

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Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. It helps the Assembly hold the Government accountable for its management of public resources.

The Committee reviews the activities, performance, and reports of government ministries, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

The Government has fully implemented 71% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 74% are partially implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee or PAC). It briefly describes what the Committee does, how it is structured, and how it works.

We discuss the importance of the Committee's deliberations and recommendations and highlight some of its recent accomplishments. Also, in the exhibit, we set out the status of the Committee's outstanding recommendations that are not discussed elsewhere in this Report. The remaining outstanding recommendations are included in the relevant chapters throughout our Report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing towards meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of about 290 agencies including ministries, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval for the use of these resources through laws and the Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government, the financial statements of the General Revenue Fund (GRF), a Financial Statement Discussion and Analysis section, and other financial information. The second report contains details on revenues and expenditures of certain agencies that receive money from the GRF, details on capital asset acquisitions of those agencies, a listing of suppliers who received $50,000 or more for goods and services supplied to the GRF, key financial information of some pension plans and trust funds administered by the Government, a listing of taxes and fees, and information on road-use fuel tax accountability. The reports are available at www.finance.gov.sk.ca/.

The Assembly refers the Public Accounts and the reports of our Office to the Committee.[1] The Committee uses these reports to review the Government's management of public resources.

The Committee discusses and recommends actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of government agencies (e.g., ministries, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports based on our work at these agencies.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

Government officials attend the Committee meetings to answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee's discussions and recommendations to the Assembly promotes a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee acts as an agent of change for the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's meetings are televised and open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) is available to the public on the Committee's website www.legassembly.sk.ca/committees/.

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[1] Certain chapters within our reports are referred to the Standing Committee on Crown and Central Agencies.

The members of the Standing Committee on Public Accounts

As of October 2010, the members of the Committee were:

- Trent Wotherspoon, Chair
- Glen Hart, Deputy Chair
- Pat Atkinson
- Dan D'Autremont
- Warren Michelson
- Lyle Stewart
- Rod Gantefoer

Committee accomplishments

Since the fall of 2009, the Committee met 5 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports included our 2009 Report (Volumes 1, 2 and 3).

The Committee has not yet completed its review of our following reports:

- 2009 Report – Volume 3 (two chapters outstanding)
- 2010 Report – Volume 1

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's First Report to the 26th Legislature. The Committee presented this Report to the Assembly on March 25, 2009. The report contains over 300 recommendations. The Assembly concurred in the Report. The Government responded to the Report on June 8, 2009.[2]

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[2] The Government response can be found at www.legasembly.sk.ca/committees (15 Oct 2010).

Status of recommendations of the Committee

The Committee has asked us to monitor compliance with its recommendations and to report on their status. This chapter along with other chapters in our report provide an update on the status of the Committee's outstanding recommendations that the Government has not yet fully implemented.

The Committee's reports during the previous five years contain 583 recommendations. Some of these recommendations take a number of years to implement. As of October 2010, the Government has fully implemented 71% (October 2009–59%) of the Committee's recommendations. The Government has partially implemented 74% (October 2009–64%) of the remaining recommendations.[3]

Summary

The Committee continues to discuss broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government and better management of government operations.

Our Office will continue to help the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of the Committee's recommendations.

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[3] Calculations are based on the Committee's recommendations up to and including the First Report to the 26th Legislature at March 25, 2009.

Exhibit—Status of outstanding Committee recommendations

The exhibit lists all of the Committee's recommendations that the Government has not fully implemented and are not already discussed in another chapter.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Managing for Results)		
2007	PAC concurs: 10-1 that the Department of Corrections and Public Safety (CPS) and the Department of Highways and Transportation (Highways) should analyze and report quarterly to executive managers the departments' progress toward planned outcomes.	**Partially implemented** (as at December 31, 2008). Highways has implemented this recommendation. For the Ministry of Corrections, Public Safety and Policing (formerly the Department of Corrections and Public Safety), no progress has been made. We plan to follow up in 2011.
Saskatchewan Gaming Corporation		
2009	PAC concurs: 9-2 that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps.	**Partially implemented** (as at December 31, 2009). We plan to follow up in 2011.
Saskatchewan Gaming Corporation (Project Management - New Casino System)		
2009	PAC concurs: 9-4 that the Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors.	**Not implemented** (as at December 31, 2008). We plan to follow up in 2011.

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[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 9-5 that the Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project.	**Not implemented** (as at December 31, 2008). We plan to follow up in 2011.
2009	PAC concurs: 9-6 that the Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow up of all risks before systems become operational.	**Not implemented** (as at December 31, 2008). We plan to follow up in 2011.

Key terms used

Each recommendation in the exhibit here or in another chapter includes a reference to a "PAC Report Year." This refers to the year that the Committee first made the recommendation in its report to the Assembly. The "Outstanding Recommendation" column sets out those recommendations that the Government has not yet fully implemented. The Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official written response from the Government. These recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it does not expect an official written response from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying with the recommendations. These recommendations are identified by a non-bolded number (e.g., 10-1) preceding them. The non-bolded numbers reflect the chapter and recommendation number of our related report.

For each outstanding recommendation, our Office has assessed the status of the recommendation and the progress made since our 2009 Report – Volume 3. We list the status of each recommendation as either not implemented or partially implemented. We do not list recommendations that are implemented. We indicate the date of our assessment in parentheses following the status. Generally, the date of our last assessment is based on the timing of our most recent audit work.

Not implemented–Based on the last assessment, the Government has not taken action on this recommendation.

Partially implemented–Based on the last assessment, the Government has taken some action on this recommendation.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

- clearly define the issue
- set out the sources of supporting information gathered by surveys, interviews, or literature searches
- outline the major factors involved—the pros and cons
- describe the action it proposes to take

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Crown Investments Corporation of Saskatchewan

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Main points

Reliable information is accurate, complete, fairly presented, and of consistent quality. Crown Investments Corporation of Saskatchewan (CIC) used adequate processes for the ten months ending July 31, 2010 to produce reliable balanced scorecard information about its internal operations for management, its Board, and the public except for two areas. CIC needs to:

- maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures
- confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information

Introduction

Crown Investments Corporation of Saskatchewan (CIC) administers several wholly-owned share-capital corporations (e.g., Gradworks Inc.) and is the holding company for 11 subsidiary commercial Crown corporations (e.g., SaskTel). It has assets of about $10.2 billion and employs 72 people.[1]

We audited the processes CIC used to produce reliable information about its internal operations for management, its Board, and the public. Reliable information is accurate, complete, fairly presented, and of consistent quality. It is well documented so that it can be reported repeatedly using consistent methods.

Background—reliable information supports good governance

CIC's role is to assist boards to oversee the management of commercial Crown corporations. On behalf of the Government of Saskatchewan, CIC communicates strategic direction set by the CIC Board to the commercial Crown sector. For over a decade, CIC has used a balanced scorecard framework to present information about its strategic direction and its performance in achieving its objectives.[2]

CIC also monitors the commercial Crown sector's performance and reports its progress in achieving the Government's objectives. As a result, CIC has opportunity to influence the reporting and disclosure practices of the Crown sector. For example, CIC identifies the corporate performance measures that all Crowns must report.[3] Four of the six required measures are part of the internal operations section of CIC's balanced scorecard.

CIC is responsible to promote the use of best practices for governance, reporting, and disclosure.[4] It also encourages consistency with the practices of publicly traded companies where possible.

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[1] As of December 31, 2009, per CIC's *2009 Annual Report*, pp.7, 80.
[2] A balance scorecard is a planning and monitoring tool used by management to communicate its performance objectives, specific targets, and progress.
[3] CIC's Performance Management Improvement Plan sets out measures for all Crowns to report. These measures include workforce diversity, employee training and development, environmental stewardship, customer satisfaction, financial flexibility, operational efficiency, etc. and may vary from year to year.
[4] CIC performance disclosure and reporting policy.

Audit objective, criteria, and conclusions

The objective of this audit was to assess the adequacy of the Crown Investments Corporation of Saskatchewan's processes for reliable balanced scorecard information about its internal operations for the ten-month period ending July 31, 2010. We did not audit the relevance of the performance measures reported or any processes external to CIC. We focused on the balanced scorecard report in CIC's *2009 Annual Report*.

Information about CIC's internal operations relates to elements such as the management of resources (e.g., operate within budget), reporting and disclosure practices (e.g., timely reporting), human resources risks (e.g., sick leave, workforce diversity, training), and evolving environmental measures.[5]

Exhibit 1—Excerpt CIC's *2009 Annual Report*, p. 26

Performance Reporting 2009 – CIC Internal Operations **Outlook 2010**

Strategic Objective	Performance Measure	2009 Target	2009 Result	Performance Measure	2010 Target
Prudent management and control of corporate resources	Operating expenditures	Within budget	○ On target	Same as 2009	Within budget
	Capital expenditures	Within budget	○ On target	Same as 2009	Within budget
	Staff levels	Within budget	○ On target	Same as 2009	Within budget
Promote employee and corporate success	Employee satisfaction	≥ 85%	○ Off Target: 78% (Note 2)	Overall employee satisfaction	> 78%
	Training % of payroll	Up to 3%	○ On Target: 2.8%	Training opportunities measured by funds allocated as a % of payroll	Up to 2.5%
	Average # of sick days per year	< 4 days	○ Off Target: 5.07 days (Note 3)	Wellness Program measured by average number of casual sick days per year	Less than 4 days

Note 2. The employee satisfaction target of ≥ 85% was intended to be a stretch target based on the satisfaction level achieved in 2007, but was not achieved. The 2010 target is aligned with actual satisfaction level.
Note 3. CIC experienced a higher than average number of sick days per employee during 2009 due to the seasonal and pandemic flu season.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate

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[5] CIC's *2009 Annual Report*, p. 26.

CIC's processes, we used criteria based on current professional standards, the work of other auditors, and literature listed in the selected references. CIC's management agreed with the criteria (see Exhibit 2).

Exhibit 2—Audit criteria: processes for reliable information

Adequate processes for reliable balanced scorecard information include processes to:

1. Maintain a foundation for reliable information
    - assign accountability for reliable information
    - define clearly each measure and its related target
    - document calculation methods in detail including aggregation of data
    - confirm calculation will produce the measure as defined
    - document the specific source of data

2. Collect accurate information
    - use required calculation methods consistently
    - document any limitations including changes in measure or calculation
    - verify results are free from error prior to reporting
    - protect information from tampering or loss

3. Produce complete, understandable information
    - compare results (e.g., to prior periods, targets)
    - explain differences between targets and actual results
    - provide meaningful context for results (e.g., risks and unexpected events influencing results, benchmarks)
    - verify there are no significant omissions from results prior to reporting

Source: Based on CICA SORP-2 Public Performance Reporting and CCAF Principles For Performance Reporting (see selected references for detail).

We concluded that, for the ten months ending July 31, 2010, Crown Investments Corporation of Saskatchewan had adequate processes for reliable balanced scorecard information about its internal operations except for:

- **its processes to maintain current, detailed documentation of definitions and calculation methods**

- **its processes to confirm that documented calculation methods are appropriate and verify that they are used**

In the next section, we set out our findings and recommendations related to these criteria. Our expectations are set out in italics under each subheading.

Key findings and recommendations

Maintaining a foundation for reliable information

We expected CIC would assign accountability for each measure in its balanced scorecard. We expected CIC would have processes to document a clear definition, calculation method, and source for each measure. We expected CIC would confirm that the calculation method would produce the information as intended.

CIC documents its performance measurement processes in its guide "Balanced Scorecard Performance Measures—Methodology of Reporting Results, 2009." This methodology guide lists the manager and vice president assigned as accountable for each measure. For each measure, the guide documents the name, purpose, target, and calculation method. The methodology guide does not provide specific definitions to clarify the performance measures and the stated source of the data is sometimes vague (e.g., "internal records").

In response to changing circumstances, CIC periodically changes how it calculates its performance measures. Some calculation methods in the methodology guide are not sufficiently detailed and/or current. Also, some methods CIC uses to calculate its internal operations measures do not match the stated performance measure and/or the calculation method documented in its methodology guide.

CIC is at risk of producing unreliable balanced scorecard information because it lacks current, detailed definitions and calculation methods for some of its internal operations performance measures.

1. **We recommend that Crown Investments Corporation of Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures.**

Collecting accurate information

We expected CIC would have processes to ensure staff consistently use the documented calculation methods and verify that balanced scorecard *results are free from error. We expected CIC would document limitations in calculating its measures and protect the results from tampering or loss.*

CIC informally expects its staff to use consistently the calculation methods documented in its methodology guide. CIC expects supervisors to verify that performance results are free from error before entering the results into the balanced scorecard report. CIC's supervisors verify the results by re-calculating the numbers. They do not question whether staff used the appropriate calculation method. Without this step, CIC cannot verify the information is free from error and no parts of the calculation are missing.

For example, when calculating "casual sick time," CIC does not require its staff to document what casual sick time includes (e.g., whether it includes frequent short-term absence for employees with chronic illness such as cancer). Without this information, the supervisor cannot verify that the staff used the appropriate calculation method.

CIC does not require its staff to document limitations to its calculations but they often did so. For example, CIC's *2009 Annual Report* balanced scorecard explains that some data is available only every second year (e.g., Conference Board of Canada analysis of reporting practices). It also mentions, as a risk for 2010, that there are challenges in measuring the purchase of carbon dioxide offsets (a measure relating to the Government's environment strategy). These explanations help readers to understand the balanced scorecard results and the problems that arise in measuring those results accurately.

CIC protects its balanced scorecard information from loss or tampering in several ways. CIC stores most information at its head office, which it keeps locked with entry requiring an access code or entry past a reception desk. CIC also secures in locked cabinets and in locked offices the human resources information that it uses for several measures.

2. **We recommend that Crown Investments Corporation of Saskatchewan confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information.**

Producing understandable information

We expected CIC would have processes to compare balanced scorecard results to targets and explain any differences. We also expected CIC would provide meaningful context by explaining risks and unexpected events that influenced results and would have processes to verify that it did not omit significant information.

In its public balanced scorecard reports, CIC routinely shows how its results compare to its targets (see Exhibit 1). CIC uses a performance indicator light (a coloured dot) to show if progress toward targets was acceptable in relation to previously published corporate objectives. Brief notes explain differences between the planned target and actual results. CIC does not routinely compare its results to results of previous years.

CIC uses informal processes to provide context in its balanced scorecard. Because CIC reports whether its performance is above or below target, this context information is critical to make the report meaningful. CIC sometimes explains unusual events or other details that would provide context but it is not consistent. For example, in mid 2009, CIC adjusted its budget but did not explain this change when reporting results compared to the target "operating within budget" in its *2009 Annual Report*.

CIC's processes require that risks for the next year be set out in its balanced scorecard reports. For example, CIC notes in the Future Risks section of its *2009 Annual Report* balanced scorecard that there might be significant sick time due to influenza again in 2010.

CIC's processes do not verify that there are no significant omissions from the balanced scorecard report. For about half of the internal operations measures, CIC's processes did not verify if there were omissions from its calculations or the report (e.g., missing explanations of unusual events). CIC's senior management discusses its balanced scorecard report with the Board and it decides if it is satisfied with the level of detail.

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Appendix

1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3; 2005, L-11.2, s.97; 2007, c.6, s.2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.
2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.
2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.
2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1)The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32 ,s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2010.

This Appendix includes the status of those audits at October 31, 2010. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2010 Rpt V2
Ministries and Secretariats:			
Enterprise and Innovation programs	March 31	Complete	No
Ministry of Advanced Education, Employment and Immigration (formerly Ministry of Advanced Education, Employment and Labour)	March 31	Complete	Yes/2010 Rpt V1 & V2
Ministry of Agriculture	March 31	Complete	Yes/2010 Rpt V1 & V2
Ministry of Corrections, Public Safety and Policing	March 31	Complete	Yes/2010 Rpt V1 &V2
Ministry of Education	March 31	Complete	Yes/2010 Rpt V1 & V2
Ministry of Energy and Resources	March 31	Complete	Yes/2010 Rpt V2
Ministry of Environment	March 31	Complete	Yes/2010 Rpt V2
Ministry of Finance	March 31	Complete	Yes/2010 Rpt V2
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2010 Rpt V2
Ministry of Government Services	March 31	Complete	Yes/2010 Rpt V2
Ministry of Health	March 31	Complete	Yes/2010 Rpt V1 &V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2010 Rpt V1 &V2
Ministry of Justice and Attorney General	March 31	Complete	Yes/2010 Rpt V1 &V2
Ministry of Labour Relations and Workplace Safety	March 31	Note 3	
Ministry of Municipal Affairs	March 31	Complete	Yes/2010 Rpt V2
Ministry of Social Services	March 31	Complete	Yes/2010 Rpt V1 & V2
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2010 Rpt V2
Executive Council	March 31	Complete	Yes/2010 Rpt V2
Information Technology Office	March 31	Complete	Yes/2010 Rpt V2
Provincial Capital Commission, Office of the	March 31	Note 3	
Provincial Secretary, Office of the	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2010 Rpt V1 & V2
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Carlton Trail Regional College	June 30	Complete	No
CIC Asset Management Inc.	December 31	Complete	Yes/2010 Rpt V1
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2010 Rpt V2
Cumberland Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Enterprise Saskatchewan	March 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Global Transportation Hub Authority, The	March 31	Complete	No
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Rotational	
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Innovation Saskatchewan	March 31	Note 3	
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2010 Rpt V2
Liquor and Gaming Authority Extended Health Care Plan	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	Yes/2010 Rpt V1
Municipal Employees' Pension Commission	December 31	Complete	Note 2
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
North Sask. Laundry & Support Services Ltd.	March 31	Complete	No
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	Yes/2010 Rpt V1
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Public Employees Pension Plan	March 31	Complete	Yes/2010 Rpt V2

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Public Service Superannuation Board	March 31	Complete	Yes/2010 Rpt V2
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2010 Rpt V2
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2010 Rpt V1
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Note 3	
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2010 Rpt V1 & V2
Saskatchewan Labour Market Commission	March 31	Delayed	
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Research Council, The	March 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	Yes/2010 Rpt V2
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
SaskEnergy Incorporated	December 31	Complete	Yes/2010 Rpt V1
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Sunrise Regional Health Authority	March 31	Complete	Yes/2010 Rpt V1 & V2
Teachers' Superannuation Commission	June 30	Complete	Yes/2010 Rpt V1 & V2

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Technical Safety Authority of Saskatchewan, The	June 30	Note 3	
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	Yes/2010 Rpt V2
Workers' Compensation Board	December 31	Complete	Yes/2010 Rpt V2
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	Yes/2010 Rpt V2
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2010 Rpt V2
Growth and Financial Security Fund	March 31	Note 7	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete	No
Northern Municipal Trust Account (formerly Northern Revenue Sharing Trust Account)	December 31	Complete	No
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2010 Rpt V2
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Complete	No
SAHO Disability Income Plan – CUPE	December 31	Complete	No
SAHO Disability Income Plan – SEIU	December 31	Complete	No
SAHO Disability Income Plan – General	December 31	Complete	No
SAHO Disability Income Plan – SUN	December 31	Complete	No
SAHO Group Life Insurance Plan	December 31	Complete	No
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
SAHO Master Trust Combined Investment Fund	December 31	Complete	No
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Financial Services Commission Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Saskatchewan Power Corporation Severance Pay Credits Plan (formerly Saskatchewan Power Corporation Pre-1996 Severance Plan)	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Complete	Yes/2010 Rpt V2
Teacher's Disability Plan	June 30	Complete	Yes/2010 Rpt V2
Teacher's Group Life Plan	August 31	Complete	Yes/2010 Rpt V2
Technology Supported Learning Revolving Fund	March 31	Complete	No
Thomson Meats Pension Plan	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Other agencies subject to examination under *The Provincial Auditor Act*:			
Chinook School Division No. 211	August 31	Note 3	
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Note 3	
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Note 3	Yes/2010 Rpt V2
Creighton School Division No. 111	August 31	Note 3	
Englefeld Protestant Separate School Division No. 132	August 31	Note 3	
Good Spirit School Division No. 204	August 31	Note 3	
Holy Family Roman Catholic Separate School Division No. 140	August 31	Note 3	
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Note 3	
Horizon School Division No. 205	August 31	Note 3	
Ile a la Crosse School Division No. 112	August 31	Note 3	
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Note 3	
Living Sky School Division No. 202	August 31	Note 3	
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Note 3	
Lloydminster Public School Division No. 99	August 31	Note 3	
North East School Division No. 200	August 31	Note 3	
North West School Division No. 203	August 31	Note 3	
Northern Lights School Division No. 113	August 31	Note 3	
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Prairie South School Division No. 210	August 31	Note 3	
Prairie Spirit School Division No. 206	August 31	Note 3	
Prairie Valley School Division No. 208	August 31	Note 3	
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Note 3	
Regina Roman Catholic Separate School Division No. 81	August 31	Note 3	
Regina School Division No. 4	August 31	Note 3	
Saskatchewan Rivers School Division No. 119	August 31	Note 3	
Saskatoon School Division No. 13	August 31	Note 3	
Sask Sport Distributors Inc.	March 31	Denied Access Note 6	
South East Cornerstone School Division No. 209	August 31	Note 3	
St. Augustine Roman Catholic Separate School Division No. 220	August 31	Note 3	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Note 3	

Agency	Fiscal year end	Status at October 31, 2010[1]	Significant issues reported[2]
Sun West School Division No. 207	August 31	Note 3	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Long-term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No
Western Canada Lottery Corporation	March 31	Denied Access Note 6	
Western Canada Lottery – Saskatchewan Division Inc.	March 31	Denied Access Note 6	

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2009, these subsidiary corporations did not carry out active operations.

Note 2: We continue to recommend that Municipal Employees Pension Commission have a written, tested, and approved disaster recovery plan. Refer to our 2009 Report – Volume 1 for details.

Note 3: These agencies were recently created or became Crown agencies. August 31, 2010, March 31, 2011, April 30, 2011 and December 31, 2011 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 4: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

Note 5: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

Note 6: These entities refused to allow us access to their accounts related to public money. Refer to Chapter 21, Tourism, Parks, Culture and Sport in this report for details.

Note 7: The Ministry of Finance does not prepare financial statements for this Fund.

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[1] "Complete" – the audit was complete at October 31, 2010.
"Delayed" – the audit was delayed.

"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2010 as "Complete". We list the other entities as "Rotational".

"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.
"Yes/2010 Rpt V1" – significant issues are reported in our 2010 Report – Volume 1.
"Yes/2010 Rpt V2" – significant issues are reported in our 2010 Report – Volume 2.

Appendix 3

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

> I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.
>
> - To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
> - To prepare reliable financial statements.
> - To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CICA Handbook - Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown Agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [date]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the *CICA Handbook - Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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